

Sukuk, Infrastructural Development and Economic Growth: A Theoretical Lens for Abandoned Projects in Nigeria

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ABSTRACT

The purpose of this paper is to provide an alternative way for abandoned projects in Nigeria through *Sukuk*. *Sukuk* have been attracting the attention of investors and become most popular in many global markets. Further, *Sukuk* have been used for funding many infrastructure developments as an alternative for conventional bonds. The study adopts a descriptive approach to highlight the significance of *Sukuk* as an investment tool to improve the infrastructural development and economic growth via abandoned projects in Nigeria because this experience is still at the infancy stage in the country. This study attempts to give the financial solution by depending on internal foreign loans which comprise the interest rate. The outcome indicates that *Sukuk* is the better alternative and reliable in financing abandoned projects and the new one for the development of the country. Also, study shows that *Sukuk* is the most significant financial instrument in the market because it has no interest rate. Many Muslim countries and non-Muslim countries have applied *Sukuk* for their infrastructure development and economic growth. The study will be a primary reference for different governments at the state and federal level who intend to adopt similar instruments for abandoned projects in their respective nations. As an individual is qualified to purchase *Sukuk*, this might lead to a better wealth distribution amongst people. The study has implication for the policymaker and government in terms of fully adopting *Sukuk* to address the issues of abandoned projects, thereby enhancing the social wellbeing of the people and the development of the economy. The study is among the studies that thoroughly and critically appraise *Sukuk* as an alternative for the government to tackle issues of abandoned projects in the country. It contributes to the literature in the field of Islamic finance according to the philosophy of profit and loss sharing among investors to solve different challenges in society.

Keywords: *Sukuk, Infrastructure, Economic Development, Abandoned Projects, Nigeria*

1.0 INTRODUCTION

Infrastructure growth plays an essential role in economic development. Any country can improve its economic segment and increase its development potential by building economic and social infrastructure. However, numerous recent reports have demonstrated the tremendous infrastructure gap that symbolizes developing countries (Gurara *et al.*, 2018).

Infrastructure creates the support of economic development since they offer economic and social advantages to society both at the community as well as in a commercial context. With infrastructure development, services, and goods, as well as information can be offered to the public more efficiently and effectively. This will contribute to the inclusive economic and social development of a country (Handayani & Surachman, 2017). Likewise,

Chermi and Jerbi (2015) assert that infrastructural development is economic machinery for accomplishing the manufacturing activities of a country. Thus, infrastructural development remains the backbone of the economic and development and growth of any given country.

Okafor *et al.* (2018) Nigeria has become the “world’s junk-yard world’s junk-yard of abandoned projects worth billions of Naira and it is greatly unthinkable that Nigeria blessed with so great potentials in the construction industry can experience such magnitude of project abandonment” (p.562). according to Kotangora (1993) and Ayodele (2011), there are about 400 abandoned and uncompleted projects belong to the Federal Government of Nigeria with an estimated cost of above N300 billion. These projects will take 30 years to be completed at the current execution capacity of the government. Furthermore, the Authors stated that the issues of abandoned projects have left without sufficient attention for a long time which is now having several effects on the country economy at large. In their submission, Adebisi, Ojo and Alao (2018) argued that abandoned projects in Nigeria affect the immediate society, contribution to infrastructure deficiency and environmental pollution. They additionally, expressed that non-utilization of capable contractors and consultants, defective cash flow, inconsistencies in government policies, and lack of adequate control in monitoring resources account for several abandoned projects.

In the awakening of Islamic finance on universal economic development, *Sukuk* is considered as one of the instruments that are efficient in mobilizing fund to finance infrastructure projects across nations (AbdulKareem & Mahmud, 2019). In this regard, *Sukuk* are one of the products in Islamic finance which are related to the performance of the underlying asset of *Sukuk*. The *Sukuk* holders (Investors) would be paid based on the profit made by utilizing the underlying asset of *Sukuk*. In this manner, the governments in need would have the option to stay away from

using debt to mobilize funds. For instance, developing countries may utilize existing assets or may create new ones to mobilize funds through the *Sukuk* issuance (Handayani & Surachman, 2017). *Sukuk* came for the purpose of financing infrastructure that can assist in improving the warfare of the society. For this reason, the government should prepare and facilitate its success. Moreover, by issuing *Sukuk*, commercial banks would find a way to invest the excess of liquidity they have. (Al Abbadi & Altaleb, 2016). During the last two decades, *Sukuk* was issued as a feasible alternative resource of fundraising for infrastructure growth, capital adequacy, project financing, budgetary requirements, corporate general purpose needs and liquidity management etc (IIFM, 2019).

Sukuk structure provides better transparency thereby reducing wastages and corruption as productive assets must be put to work in order to generate investors income. In addition to this, *Sukuk* provides diversification of investments especially for investors who do not want to invest in interest-based conventional bonds. Transparency can be utilized to encourage investor assurance and trust thus leading to accelerating foreign direct investment (FDI). For nations that face the problem of corruption as well those that want to avoid the issue of injustices on interest-based conventional bonds borrowing, *Sukuk* signify an opportunity to tap a new investor base, one that is ethical and provides the issuer more rights and prevents abusive interest charges in case of default (Yussof & Haron, 2017). The Government of Nigeria has been advised to invest in the *Sukuk* market as an alternative to raise fund for the infrastructure development project “*Sukuk* are very apt for Nigeria, as you cannot have failed projects...for every project you have, you are raising government money and it has to be accounted for, the financier (investor) will not allow abuse”. The government is advised to observe and perceive the *Sukuk* structure how it can be of benefit to economic development as a source of FDI from various investor base (AbdulKareem *et al.*, 2021c; Mohammed,

2015; Mohsin, 2015; Yussof & Haron, 2017; Zaman, 2016).

Numerous countries and companies around the world relied on conventional bonds to finance their projects. These conventional bonds have conditions and components that are related to the amount of interest rates in which Nigeria is among the country that rely on foreign loans (Omodero & Alpheaus, 2019). Nigeria is the most populous black nation in Africa. It is has a population of 185.9 million with 2.6% growth rate when compared with 2015 estimation. Furthermore, Nigeria is set to turn into the world third biggest poverty by 2050 and has home to the highest numbers of children out of school (Kazeem, 2018). According to UNICEF (2017), Nigeria still has the largest population of extreme poverty. The social spending (education, health, and social protection) ranks index reflects extremely poor social results for the citizens. More than 10 million kids in the country do not go to school and 60% of these kids are girls (Akinwunmi & Adekoya, 2018; Omodero & Alpheaus, 2019; UNICEF, 2017).

Under 1% of these poorest girls complete secondary school education, compared with 27% for boys. Similarly, one in 10 children dies before reaching their fifth birthday celebration (OXFAM, 2018). Nigeria is a country that needs good infrastructure, development of abandoned projects and financial resources to cater for abandoned projects to better the lives of her citizens. So, country preference to rely on foreign loans is a burden on the Nigerians Gross Domestic Product (GDP) and on the national budget. For this reason, issuing *Sukuk* will increase the social development and economic growth. Many countries around the globe such as Malaysia, Qatar, United Kingdom (UK), United State (US), Pakistan, Indonesia and so on have been taken advantage of *Sukuk* for their infrastructure development (COMCEC, 2018; Hussain, Shahmoradi, & Turk, 2015; Wedderburn-Day, 2010). This paper examines the ability of *Sukuk* issuance in financing abandoned projects and planning for new ones. The main objective of this paper is to show the importance of *Sukuk* on how to

mobilize funds for infrastructure development particularly abandoned projects in Nigeria. The remaining part of the paper is structured as follows: Section two reviews relevant studies about the importance of *Sukuk* for infrastructure development and growth. Section three discusses the methodology applied for the study. Section four demonstrates the differences between *Sukuk* and conventional bonds. Section five discusses *Sukuk* and their economic advantage. Section six explains the findings from the literature and the conclusion.

2.0 LITERATURE REVIEW

This section examines the advantages of *Sukuk* for financing abandoned projects and planning for new ones. Islamic finance operates based on the principle of Islamic law (Shariah). In Nigeria content, there are limited and scarce studies conducted about the significance of *Sukuk* as an instrument for economic growth and abandoned projects in the country. According to Abubakar and Baba (2020), Oladunjoye (2014); Sulaiman (2020); Lawal and Bukar (2020); Ibrahim and Mustapha (2020), noted that despite the importance of *Sukuk* finance to the Nigerian context, it has an inestimable influence on the nation-building. The authors further stated that *Sukuk* have numerous economic capabilities to the economy of Nigeria in terms of economic growth, infrastructure financing, economic expansion, among others. These studies did not mention how *Sukuk* can solve issues of abandoned projects in the country which will effectually lead to the economic growth of the country. The present study notice that there is no awareness of *Sukuk* as an alternative for abandoned projects in the country. Based on this, the study aims to fill this gap. More so, the study discovered that *Sukuk* have potential immunity in curbing the issues of abandoned projects and economic effects on most countries.

In other parts of the world, several researches have been conducted on the importance of *Sukuk* for economic development and nations building. According to Ahmad *et al.* (2014),

Sukuk has played an important role in the development of numerous countries. Developed and developing nations can benefit to a large extent by issuing *Sukuk*. Malikov (2017) also states that *Sukuk* issuance has become one of the important products of Islamic finance in Malaysia, whereas they are utilized as an equity device to raise public funds to utilize to finance the government budget in growing infrastructure projects. Since *Sukuk* continue as loans, it comes an obligation for the government to pay back through the underlying assets of *Sukuk*. Also, *Sukuk* issuance has positively affected the economic growth of Saudi Arabia and Malaysia as there were significant contrasts their economy, financial and social well-being signs of the two nations before and after the issuance of *Sukuk* (Malikov, 2017). *Sukuk* issuances provided effectively more funds to finance the economic improvement and tackle the issues of unemployment and poverty (Bin Syed Azman & Ali, 2016). The importance of *Sukuk* structure is based on three parties: originator of *Sukuk* who own assets of *Sukuk* initially, special purpose vehicle (SPV) SPV is a bankruptcy-remote element, isolated from the originator which issues *Sukuk* certificate and *Sukuk* holders who buy an asset of *Sukuk*. Different to the bonds, *Sukuk* holders have rights associated to the *Sukuk* assets, support credit risk and collect profit derived from the project (Taktak & Khoutem, 2014; Zolfaghari, 2017).

Sukuk issued help to finance many significant sectors such as infrastructure and agriculture. As established by Shafi and Redzuan (2010) for the Indonesian case, *Sukuk* issuance based on partnership idea allows the injection of capital in the agricultural sector and eliminates poverty. Karim (2012) emphasizes that *Sukuk* reduce financing costs. *Sukuk* perform more cost-effectively in fund raising for property development and real state (Thomas *et al.*, 2005). According to AbdulKareem and Mahmud (2019) between 2006 and 2012 Malaysia issued *Sukuk* for infrastructure development which is estimated at \$29.8 billion. The fund raised was invested in developing many massive-scale projects such

as Maju expressway, Kuala Lumpur International Airport (KLIA), Senai Dersu and Southern Link. All their infrastructure development projects were supported by the National Economic Transformation Program (NETP) which is strategic to transform Malaysia into a high-income country (Money, 2014). As mentioned by Araar (2014), Islamic finance is based on *Sukuk* method set the roadmap for the economic development of the country. The author considered *Sukuk* as an instrument that can promote social well-being, economic justice, and economic development. The adaptability of *Sukuk* will bring many benefits and social well-being to the country. It can be utilized for the improvement of airports, highways, bus stations, ports, and so numerous projects for the improvement of the country. The universal increasing interest in the beauty of Islam and spiritual feast growing in western countries have built to develop an interest in Islamic Shariah compliance products (Chermia & Jerbi, 2015).

Mirabile *et al.* (2014) expressed that, one way to deal with pool financing assets is through the arrangement of *Sukuk*. The authors express that *Sukuk* complies with Shariah principles of profit and loss sharing among the investors. The income stream of *Sukuk* investment depends on the performance of the underlying assets of *Sukuk*. The *Sukuk* instrument has the potential to entice Islamic investors who want investment on the Islamic path (MIFC, 2013). Moreover, in order to effectively entice *Sukuk* holders, the underlying asset of *Sukuk* must be able to generate incredible yields to the *Sukuk* holders so that it can be sold on the secondary market (Damodaran, 2011). Additionally, utilizing *Sukuk* as an instrument to finance infrastructure growth was applied in the Equate Petrochemical Company Project in Kuwait (Sadiokt, 2012). Furthermore, *Sukuk* holders will be more familiar with *Sukuk* structure as an alternative for infrastructural development. *Sukuk* is a more suitable instrument to mobilize fund to finance abandoned infrastructure projects and establish new one (Halim, 2016; Lebbe & Rauf, 2016; Kamil *et al.*, 2010). Hafsa and Oumaima (2021) asserts that *Sukuk* can easily ensure and

create economic growth and development if appropriately structure and mobilized. It also have the ability to playing a significant role in curbing issues of poverty reduction and creating empowerment for the youth populations, therefore, assisting them to shift from being a social burden to creativity which will assist economic development. The authors further established that *Sukuk* offers alternative funding for critical infrastructures development. This indicates that *Sukuk* can be utilized to fulfil governments' needs and supply the needed funds to create a good infrastructure development for better wellbeing. According to Ahmad and Ahmed (2017) state that "Malaysia has extensive experience in using Islamic financial instruments to support infrastructure development—the data shows 61% of the world's infrastructure *Sukuk* was issued out of Malaysia and the Global Infrastructure Investment Index 2016 ranks Malaysia as the second most attractive destination for infrastructure investment in Asia, and fifth in the world".

Moreover, Hafsa and Oumaima (2021) affirm that Malaysia has developed by the availability of infrastructure development and attractive country for FDI and has additionally enhanced the rate of economic growth. More so, in 2017 Malaysia has launched the first green *Sukuk* the generated proceeds from these *Sukuk* are used to fund environmentally sustainable infrastructure development projects such as the construction of renewable energy generation facilities. In a similar vein, Parker (2017) argued that Malaysia has an incredible record of using *Sukuk* in the development of infrastructure, Malaysia is the first country to issue retail *Sukuk* to finance a light rail extension project in the world. Hafsa and Oumaima (2021) established that there have been numerous successful infrastructure projects financing via *Sukuk* issuance in Indonesia. These projects typically focused on housing, manufacturing, agriculture, transportation, telecommunication, and others. Using the *Sukuk* instrument as an alternative to financing infrastructure development has assisted in financing build

important infrastructure projects today. *Sukuk* as alternative funding enables developing country to avoid foreign debt trap in financing infrastructure development (Hasan, 2018).

2.1 *SUKUK* AND CONVENTIONAL BONDS

Many questions have arisen about Islamic products and how they are different from conventional products. In the case of *Sukuk*, they are similar to conventional bonds in terms of capitals mobilisation from the markets and injecting liquidity into the ventures. Likewise, both instruments give a stable income to investors. Notwithstanding, there are differences between conventional bonds and *Sukuk*. In all, the differences depend on the method of principles of law, operations, and financial strategy. Many studies have been conducted to explore the differences between bonds and *Sukuk* (AbdulKareem *et al.*, 2020a). According to Keskin and Kantarci (2015), the distinction between conventional bonds and *Sukuk* is that conventional bonds are bearing interest. Under *Sukuk*, income cannot be realized from interests but incomes can be made from leasing and profits accumulated from the underlying asset of *Sukuk* activity. Another difference of *Sukuk* from traditional bonds is that *Sukuk* holders have direct ownership rights over the underlying asset of *Sukuk*.

Concerning conventional bonds, however, this is only represented by the financial liabilities of the obligor. Besides, unlike conventional bonds, the institutions that issue *Sukuk* can only carry out commercial activities that follow Islamic principles. *Sukuk* issued are also liable to consulting expense and extra legitimate expense which are determined in compliance with Islamic principles. On the other hand, there is no restriction on commercial activities that can be carried out by issuers of traditional bonds. Also, there is no extra administrative cost under the issuance of traditional bonds (Keskin & Kantarci, 2015). Moreover, *Sukuk* are different from conventional bonds in terms of provisions and underlying structure (Ahmad & Radzi, 2011). While bond represents the issuer's pure obligation, *Sukuk* stands for units of equivalent value with underlying assets in

undivided ownership, services, usufruct or investment in specific projects or activities of investment (Kamil 2009). Khalil (2011) explains that bonds are contractually binding obligations whereby the guarantor is authoritatively obliged to pay bondholders, on certain predefined dates and interest. In contrast, the *Sukuk* holders are permitted to claim legal ownership in the underlying assets. *Sukuk* incomes are generated from underlying *Sukuk* asset and a share in the returns of assets of *Sukuk* (AbdulKareem et al., 2020b).

3.0 METHODOLOGY

This study is conceptual and it investigates previous theoretical and empirical studies conducted on the concepts of Islamic finance particularly *Sukuk* as significance investment tool to improve infrastructural development and economic growth via abandoned projects in Nigeria. The key approach utilized is the review of extant literature to deduce or acquire more knowledge on the role of *Sukuk* as instrument to mitigating abandoned projects. The experience of the country on *Sukuk* is still at an infant stage. Hence, the study relies on other countries' experience on *Sukuk* issuance. This study attempts to give the financial solution by depending on internal foreign loans which comprise the interest rate. Therefore, the study examines past articles and important materials from reputable journals, textbooks, and internet sources on the concepts of *Sukuk*.

4.0 SUKUK AND THEIR ECONOMIC ADVANTAGE

Sukuk funds raise the economic activities without considering those *Sukuk* as a debt on the originators (issuers). It is considered as a partnership between *Sukuk* holders and originator. As indicated by Usmani (2017), *Sukuk* is one of the best instruments for financing big projects rather than funded by one party. And for Islamic Finance Institutions (IFIs) it is a good way for managing liquidity so when they have excess liquidity they can invest them by purchasing *Sukuk* asset and sell them in the secondary market when they need

liquidity. Investors can redeploy their capital or sell the *Sukuk* when they need. For the economy in general, *Sukuk* upgrades the distribution of wealth via investing in real projects that support the circulation of the wealth on a broader scale (Alkhawaja, 2019; Olaide & AbdulKareem, 2021).

The study look at some of the advantages of *Sukuk* issuing by the government for economic growth.

1- **Controlling Inflation:** When a nation issues *Sukuk*, it would spend fund on the capital structure to increase its capacities. In this way, the fund that is raised will be directed toward building infrastructures such as factories, road, airport, bridge, etc. By increasing the capital supply with increasing goods and services, this will protect the capital from reducing the purchasing power and prevent devaluation of currency. In this way, the nation would protect its employees and labours who are getting low wages and salaries from increase in prices in the market. Hence, governments at various levels will protect its citizen from social and economic problems that may be faced in the long run (Altaieb & Alkhatib, 2016; Howard, 1976; Pétursson, 2008). Also, the funds acquired through the *Sukuk* are moved to the entrepreneurs and real sector to increase production. Along these lines, the increase in the supply-demand balance stops increase in prices by meeting the demand and will positively influence the balance of the price. As it gives financing backing to increase production, *Sukuk* provides important stability in inflation as far as price stability is concerned (Kantarci & Eren, 2018). Furthermore, issuing more *Sukuk* can monitor the monetary policy in Nigeria. For instance, in monetary policy, controlling the money supply and inflation in parallel with economic needs.

2- **Improving Investments:** expanding the financial funds and resources can assist the companies/industries to enhance the investments in numerous sectors such as industrial and agricultural sector which is perceived as a long-run sector, rather than focusing on the consumption which is regarded

as a short-run sector. Likewise, as a benefit to the companies, *Sukuk* issue increases their fund and take benefit of that by utilizing that fund for economic prospects. This will improve the company's capital thus accomplishing more levels of profits (Altaieb & Alkhatib, 2016). Furthermore, utilizing Islamic finance product particularly *Sukuk*, will likewise add to economic stability. Since there is no interest in *Sukuk* issuance, the negative impacts of

economic meltdown is not felt in *Sukuk* issuance. With *Sukuk* issuance, stability and confidence will dominate the market. The funds gathered with the purpose of *Sukuk* investment are actively utilized in real sector financing such as infrastructure development. This will provide a significant contribution to economic stability (Kantarci & Eren, 2018). The table below shows the level of inflation rate in Nigeria.

Table 1: Nigeria Inflation Rate-Historical Data from 2010-2018.

Year	Inflation Rate (%)	Annual Change
2018	12.09%	-4.43%
2017	16.52%	0.85%
2016	15.68%	6.67%
2015	9.01%	0.95%
2014	8.06%	-0.41%
2013	8.48%	-3.74%
2012	12.22%	1.38%
2011	10.84%	-2.88%
2010	13.72%	2.18%

Data Source: World Bank

Table 1 shows the historical rate of inflation in Nigeria and its annual changes from 2010 to 2018. The table shows that in 2010 the inflation rate is 13.72%, while the annual changes is an increase of 2.18% from 2009. The rate of inflation in 2011 is 10.84%. This shows a decrease of -2.88% in the annual changes. In 2012, the inflation rate is 12.22%, showing an increase of 1.38% in annual changes. The inflation rate dropped in 2013 to 8.84%. That is an annual change of -3.74%. There is little decrease in 2014 inflation rate (8.06%), showing an annual change of -0.41. In 2015, there is almost 1% (0.95%) increase in the annual changes in the inflation rate (9.01). In 2016, inflation increases to 15.68%, showing a 6.67% increase in the annual changes. The inflation rate increases further in 2017 to

16.52%. That shows an 0.85% increase in the annual change. Lastly, in 2018, the inflation rate dropped to 12.09% showing an annual decrease of -4.43%.

3- **Reducing Public Debt:** In case of Nigeria, the public debt is a real burden on the budget and that reducing the Gross Domestic Product development by paying back the foreign debt. Thus, rather than taking more foreign loans, Nigeria government can depend on its national investments and banking reserves to reduce the budget deficit and restructuring economic situation by issue *Sukuk* as an alternative to conventional bonds and foreign loans. The table below indicates the level of total public debt portfolio in the country as at June 30, 2019.

Table 2: Public Debt Stock - External and Domestic Debt of the FGN, States and FCT as of June 30, 2019

Debt Category	Amount Outstanding (US\$'M)	Amount Outstanding (#'M)	% of Total
A Total External Debt	27,162.63	8,322,629.83	32.38%
FGN Only	22,887.96	7,012,870.94	27.29%
States & FCT	4,274.67	1,309,758.89	5.10%
B Total Domestic Debt	56,720.03	17,379,015.91	67.62%
FGN Only	43,775.44	13,412,796.09	52.19%
States & FCT	12,944.58	3,966,219.82	15.43%
C Totals Public Debt (A+B)	83,882.66	25,701,645.74	100%

Source: Debt Management of Office (DMO) Nigeria.

Table 2 presents the Nigerian public debt based on the external and domestic debt as at 30th of June 2019. The table shows that, the total external debt is USD 27,162.63 which represents 32.38%. the FGN accumulates 27.28% (USD 22,887.96) of the total external debt while the states and FCT accumulates the remaining 5.10% (USD 4,274.67). In addition, the domestic debt is USD 56,720.03 which is 67.62% of the total public debt. The FGN alone accumulates 52.19% (USD 43,775.44) of the domestic debts while the states and FCT accumulates 15.43% (USD 12,944.58). Hence, the total public debt (external debt + domestic debt) is USD 83,882.66.

4- **Controlling privatization:** government can consider *Sukuk* issue to finance uncompleted projects as temporary privatization of that projects. The government could repurchase such project after the

maturity date according to the agreement between the government and the first buyer. This arrangement is good for big projects such as seaports, roads, airports, and others. According to Amade *et al.* (2015) the issue of abandoned projects was not given enough care for a long time in Nigeria which has resulted in a negative impact on business development as well as the national economy in general. For example, there are about 400 abandoned or uncompleted projects belonging to the FGN with an estimated cost of above #3000 billion which will take about 30 years to complete (Ayodele & Alabi, 2011). In another opinion, Doraisamy *et al.* (2015) affirmed that there is no doubt that abandoned projects in Nigeria affect the construction industry which eventually contributes to the economic meltdown. The Table below indicates the number of abandoned projects in Nigeria by the geopolitical zone breakdown.

Table 3: List of abandoned projects

Political Zone	Numbers
South East	15,000
South-South	11,000
Southwest	10,000
Northwest	6,000
North Central	7,000
Northeast	5,000
Federal territory Abuja	2,000

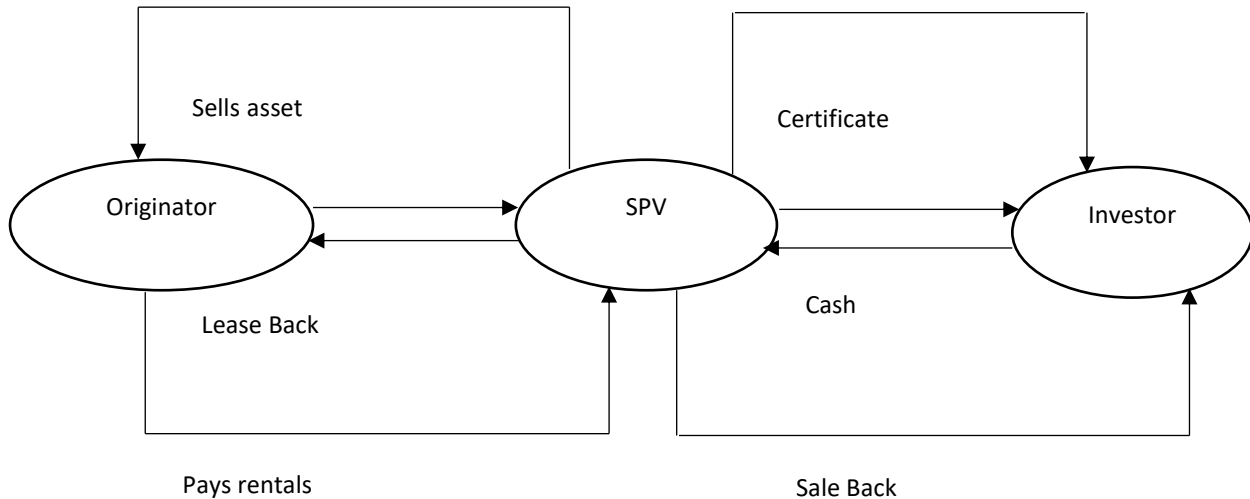
Source: Ebatamehi (2019).

5- **Impact on unemployment:** There is high rate of unemployment since resources and production factors are not utilized completely and adequately. The decrease in the capital leads to a decrease in production and in this case, affects labour force in the negative. One of the important things that should be done to reduce the rate of unemployment is to give proper attention to entrepreneurship and to encourage entrepreneurs to have access to loans without interest. By focusing on

entrepreneurship, there will improve productivity and the level of unemployment rate will reduce (Guner & Korkmaz, 2011; Kantarci & Eren, 2018). Furthermore, Keskin and Kantarci (2015) buttressed the above statement that *Sukuk* contributes to the development of economy by creating employment.

4.1 COMMON STRUCTURE OF SUKUK

The framework below shows the common structure of *Sukuk* transaction



- The originators sell an underlying asset to SPV at an agreed pre-determined price.
- The SPV issues *Sukuk* certificate to investors to raise funds and sell the underlying asset to the investors.
- SPV act as a trustee on behalf of investors.
- The SPV and originators enter into an agreement whereby SPV lease underlying asset back to the originators as agreed for the period.
- SPV receives periodic rentals from the originator. These are distributed among the investors i.e., the *Sukuk* holders.
- At maturity, SPV sells the underlying assets of *Sukuk* back to the originator at a predetermined value.

5.0 FINDINGS, RECOMMENDATIONS AND CONCLUSION

Sukuk has become a vital financial tool in the global market. It is growing in significance with the trend on the spread in transaction capacity. Infrastructure development plays a vital role in sustaining and promoting rapid economic growth. For this to be realized, the capability of *Sukuk* issuance will be significant to work as a bridge close between infrastructure development and funding needs. Nigeria is a country that needs funds

and financial solutions to overwhelm the obstacles and challenges that faces the country. Fortunately, many Nigerians have excess liquidity and those Nigerians are waiting for any golden opportunity to invest the excess liquidity.

There is no doubt that *Sukuk* are very significant financial instruments that can open advantage for many investors to invest their money on free interest system. *Sukuk* will assist in sustainable economic and social development. Given the nature of the regulatory and political environments in Nigeria, the study thereby recommends lease *Sukuk*, partnership *Sukuk*, manufacturer *Sukuk* and forward sale *Sukuk* contracts for the effective economic growth and infrastructure development in the country. Additionally, in order to clear abandoned projects and infrastructure development gap, rigorous efforts must be made by the government to eliminate or reduce the inefficiency of the system. *Sukuk* issuance given economy opens a wide opportunity for diversification of economic and numerous different opportunities for the improvement of the real sector, for instance, industries, agriculture, mining, among others. This will no doubt helps in diversifying the revenue base of the government from the ethical sources which will additionally move faster improvement of the nation. This improvement will yield various advantages for the economic development for instance job creation, infrastructural

development and alleviate of poverty, among others. The study contributes to the literature that investigated the significance of *Sukuk* as an instrument for infrastructural development and panacea for abandoned projects of the country. Especially in, Nigeria where the awareness of *Sukuk* is still at the infancy stage (Ogunbado et al., 2017; AbdulKareem et al., 2020; Abubakar & Baba, 2020). The study concludes that to guarantee the success of *Sukuk* issuance in Nigeria, political and legal environments must be conducive and supportive to facilitate effective execution and management of *Sukuk* in order to save the interest of investors (*Sukuk* holders). The study, consequently, concludes that *Sukuk* has unlimited opportunities for economic growth, projects abandoned and infrastructure development in Nigeria. Besides, the contribution of the study has found that limited and scanty studies have been conducted on *Sukuk* as an instrument for economic growth and panacea for abandoned projects. Lastly, if the outcome of the study can be put into practice, we believe that social life and economy of the country will change for better. The federal government should take advantages of *Sukuk* more significantly.

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