SUKUK MURABAHAH: A MECHANISM TO FINANCE INFRASTRUCTURE DEFICIT IN NIGERIAN TERTIARY INSTITUTIONS

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Abstract

Developed countries have actively engaged in producing and providing infrastructural facilities at all levels of development. The demands for infrastructure investment in developing nations quickly attract the country's attention for the operation of organizational structures and the management of societal needs (e.g. roads, bridges, power, education, transport, health care services, communication, technology, and many other sectors). Therefore, the potentialities of tertiary institutions for the growth and development of Nigeria have been crippled by the complex administration by the way of inadequate financing and governance. Thus, this paper highlights the trend and nature of funding tertiary institutions in Nigeria. Therefore, the purpose of this study is to conceptually explore the past and present trends of funding tertiary institutions in the country and offer possible sources of funding tertiary institutions in Nigeria. A qualitative research method was employed by the study by gathering data from secondary sources. To conclude, Nigerian tertiary institutions have been experiencing infrastructure deficits as a result of poor funding and governance in the system. Therefore, the study examined that financing tertiary institutions in Nigeria is a remarkably complex stage. Tertiary institutions in Nigeria lack financing architecture for infrastructural facilities and support from the political class. The study also concludes that to increase the application of Murabahah financing number of steps include an awareness campaign among policymakers and stakeholders in Nigerian tertiary institutions about the philosophy and operations of Islamic capital market products and services. Therefore, this study posits that Sukuk Murabahah will play a significant role in financing and uplifting the standard of Nigerian tertiary institutions and bringing about national development. To link it up, Sukuk Murabahah has enormous potential to explore the Nigerian capital market as a mechanism for funding infrastructure in Nigerian tertiary institutions.

Keywords: Sukuk, Murabahah, Investment, Infrastructure, Education.

Introduction

Education is a critical tool for rapid development at both the societal and national levels. Education also serves as a tool that brings about rapid socio-economic, political, scientific, and technological development in a society. As a result of this, most developing nations have been producing a lot of human and financial resources to provide educational opportunities for their citizens. The quality of the human resources available in any nation is dependent on their skills, creative abilities, training, and education. If the human resources of a country are well-skilled and trained, then the output will also be of high quality (Offem, Aniah, Agunwa, and Owan 2017). Developed countries have successfully passed through a series of developmental stages. Countries like the U.S.A., France, the U.K., and many others have developed rapidly in terms of infrastructure development via the education sector. Thus, infrastructure serves as a determining factor for the country's index for growth and development and a means of increasing economic productivity through the provision of social amenities such as education, health care facilities, roads, potable water, and electricity, among others. Therefore, the importance of education in boosting the manpower of an economy cannot be overemphasized (Odigwe and Owan, 2019). On top of that, education serves as a nexus that strengthens the smoothness and effectiveness of all sectors and the economy of the nation. 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). In this regard, the significance of education can also be perceived in the socio-political stability of a nation (Odigwe and Owan, 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).

However, one of the major factors affecting the smoothness and effectiveness of Nigeria's education system is a lack of infrastructure in tertiary institutions. Academics in Nigerian tertiary institutions have been on strike for over a decade due to the Nigerian government's inability to provide adequate infrastructure in the education sector. In the year 2020, the Academic Staff Union of Universities (ASUU) went on strike for over nine months, and ASUU has been on strike since February 14th, 2022, all to protest a lack of infrastructure in Nigerian universities and other peculiar issues. Most of the infrastructure in the education sector in Nigeria is now in a decayed state, and there is a great need to replace or renovate some of them with additional ones.

However, with this style of infrastructure funding for tertiary education being the tool for national development, the federal government of Nigeria continued to maintain and finance education to the degree of beating the 26% UNESCO minimum standard for developing countries (UNESCO, 1999). Over time, the financing of the education sector has been crippled and destroyed by a complex government that rules in both the running and financing of tertiary institutions, where the government does not give much attention to financing tertiary education. To link it up, from the list of world universities, Nigerian universities were not even included among the best universities in the world.

Research Problem

From these findings, it is clear that Nigeria's educational system is faced with infrastructure challenges that detrimentally cripple the system. Therefore, poor financial investment has been the bane of the Nigerian education system. Education in Nigeria has been in this funding crisis for infrastructure for many years and has culminated in a shortage of material and human resources in the system: a shortage of lecture rooms, a poor learning environment, insufficient admission spaces, inadequate laboratories for teaching and research, a shortage of books and journals, a lack of resourceful libraries, low remuneration of staff, and many other factors, all as a result of poor governance and corruption in the system of government. This and many other problems contributed to the decline in the quality of education offered.

Accordingly, Nigeria is educationally and economically disadvantaged and is a nation with an infrastructure deficit in almost all sectors. Thus, the current level of infrastructure deficit in Nigeria is perhaps the major constraint towards achieving the national vision of becoming one of the 20 largest economies by 2020. Underfunding of infrastructure in education makes it difficult for the sector to meet its expectations as the required infrastructural facilities for effective and efficient learning cannot be adequately provided with the current trend of funding.

Objective

The overall purpose of this study is to conceptually explore the past and present trends of funding tertiary institutions in the country and offer possible sources of funding tertiary institutions in Nigeria.

However, the need to provide an alternative way of providing infrastructure deficits in the education sector for sustainable development in the country arises. In this regard, there is a need to incorporate new policies and models that will increase economic and infrastructure development in the country. The provision of infrastructure in Nigerian universities remains an issue for stakeholders and researchers. Several programs on educational financing have been formulated and implemented by the government. Several studies have been conducted to bridge the gap and support the system. However, they appear to be inadequate. The emergence and application of Islamic financing in project funding have emerged as the only alternatives to conventional financing (Duku, 2019). Therefore, this paper introduces *Sukuk Murabahah* as an alternative mechanism and viable tool for financing the infrastructure deficit in Nigerian universities. Murabaha is the sale of goods with an agreed-upon profit markup 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-upon profit for the seller (Latham and Watkins, 2015).

Literature Review

An Overview of Financing Higher Education in Nigeria

Worldwide, it's agreed that education serves as an apparatus that measures the level of development of a nation. In Nigeria, the demand for higher education is so high because education is not only an investment in human capital but also a prerequisite as well as a correlate of economic development (Ubogu, 2011). The national policy on education (2004) explicitly states that education is a government affair in which free education is to be provided by the government at all levels when and where practicable (Oluwatoyin, 2007). The tertiary education financing system relates to all forms of post-secondary education, including universities, colleges, polytechnics, specialized and professional institutions of learning, and other affiliated institutions. However, the Nigerian education system has undergone several policy reforms over the years, such as curriculum, institutional, expenditure, and financing reforms, particularly at the higher education level (Samuel, Igot, & Olorunfemi, 2012). More specifically, the reasons for these reforms range from the need to expand educational access, equip students with quality education and the relevant knowledge needed for their individual and national growth, prepare the citizenry to face the challenges of globalization, and set assurance mechanisms in higher education institutions (Imoke, 2011, Bello, 2007, and Eilor, 2005, as cited in Samuel, Igot, and Olorunfemi, 2012).

Tertiary education (universities) in Nigeria has been funded since 1948, when University College Ibadan (UCI) Nigeria was founded on the recommendation of the Elliot Commission in Nigeria (Ajayi, 2018). According to Ukeje (2002), UCI was financed from two main sources: 70% of the funds were issued by the Nigerian government, while 30% of the total recurrent costs were provided by the United Kingdom (Ajayi, 2018). In most countries across Africa, Asia, Europe, and other continents, the government has been the primary source of funding for university education in public universities. For example, the HEFCE (2012) report on England states that the Higher Education Funding Council for England (HEFCE) distributes public money to universities in England and that the total amount is set by the government each year and distributed equitably among higher education providers. It was added that the "Guide to Funding: How HEFCE Allocates its Fund (HEFCE 2010/14)" consists of how this is currently done in England. HEFCE is said to be the single largest source of English higher education (Akomolafe & Temiwuni, 2016). University education financing comes from different sources. Therefore, the Nigerian government finances education from the revenue generated through federal allocation. The public sector is the major provider and financier of education in Nigeria since it took over most of the schools in the country from primary to tertiary in the mid-1970s (Oluwatoyin, 2007).

Over the years, the various levels of education in the country have been confronted with various problems that range from financial, human, and material resource insufficiencies. It is for this reason that various steps have been taken by the government to restore the dwindling fortunes of the nation's educational system. However, among the levels of education in the country, tertiary education, particularly university education, has been the most affected. The university level of education is very strategic in the educational arm of the country since it is the apex of the tertiary education system (Victoria & Emmanuel, 2014). To tie it up, for universities in Nigeria to contribute their quota to national development, they have to be funded enough to function and operate effectively and efficiently. The federal government makes policies and runs secondary (both junior and senior) and post-secondary institutions, including universities, polytechnics, and colleges (Nwoko, 2015). Today, the federal government funds these through annual budgetary allocations and several targeted intervention funds, including Tetfund, Debt Relief Grants (DRGs), Millennium Development Goals (MDGs), and constituency projects of federal legislators (Nwoko, 2015). Overall, a lack of adequate infrastructure in Nigerian universities has resulted in the decline of the university education system due to underfunding for over two decades, and as a result, the number of students, programs of study, and staff is rapidly increasing, which the existing infrastructure cannot accommodate.

Factors Affecting the Financing of Higher Education in Nigeria

It has been observed that public institutions in Nigeria face budgetary constraints to meet the rapid growth in public institutions (Fakeye and Awolola, 2019). According to Oluwatoyin (2007) and Oluwakemi and Omolara (2017), the following factors influence higher education financing in Nigeria:

1. Data and population: Student-Teacher Ratio (STR), Average Teacher Salaries (ATS), and Students Enrolment Rate (SRT)
2. Goals and objective of education: Development needs of a nation, Human innate needs to learn
3. Political exigencies Resource management level
4. Staff (manpower) capacity
5. Inadequate planning or poor planning
6. Inadequate financing;
7. Poor power supply
8. Fiscal policy
9. International trade policy
10. Inadequacies in monetary policy
11. Poor coordination of government policies
12. Inadequate research grants
13. Brain-Drain

Federal Government Budgetary Allocation to the Education Sector (1960-2022)

Thus, this critical sector has been bastardized, relegated, and put in a dustbin position through the paltry figures usually allocated to it by the federal government of Nigeria (Odigwe and Owan, 2019). With federal government financial distribution to the education sector from 1960–2013 given by the central bank of Nigeria and the Guardian's 2014–2022, it can be determined whether this great expectation of UNESCO has been met or not.

Year	Allocation as a percentage of the total budget	Year	Allocation as a percentage of the total budget	Year	Allocation as a percentage of the total budget
1960	6.02%	1981	6.45%	2002	5.90%
1961	6.15%	1982	8.09%	2003	1.83%
1962	5.19%	1983	4.04%	2004	10.50%
1963	3.43%	1984	4.49%	2005	9.30%
1964	3.65%	1985	3.79%	2006	11.0%
1965	3.57%	1986	2.69%	2007	8.09%
1966	4.23%	1987	1.93%	2008	13.0%
1967	4.88%	1988	2.40%	2009	6.54%
1968	2.84%	1989	3.55%	2010	6.40%
1969	2.20%	1990	2.83%	2011	1.69%
1970	0.69%	1991	1.09%	2012	10.0%
1971	0.53%	1992	3.86%	2013	8.70%
1972	0.62%	1993	5.62%	2014	9.93%
1973	0.88%	1994	7.13%	2015	7.73%
1974	2.69%	1995	7.20%	2016	6.53%
1975	4.57%	1996	12.32%	2017	7.38%
1976	8.71%	1997	17.59%	2018	7.04%
1977	3.12%	1998	10.27%	2019	7.05%
1978	11.44%	1999	11.12%	2020	6.70%
1979	3.70%	2000	8.36%	2021	5.60%
1980	4.95	2001	7.0%	2022	7.90

Source: Central Bank of Nigeria Statistical Bulletin (2013-2018), the guardian, 2021

It is grossly worrisome that the government is still allocating less money to the educational sector. When Nigeria's percentage of total annual budgetary allocations to education is compared with those of other less affluent African countries, the picture becomes not only very disturbing but also a reflection of imminent disaster for the nation. Remember that in 2013, the percentage of total annual budgetary allocations to education in Botswana was 19.0%, Swaziland was 24.6%, Lesotho was 17.0%, South Africa was 25.8%, Cote d'Ivoire was 30.0%, Burkina Faso was 16.8%, Ghana was 31%, Kenya was 23.0%, Uganda was 27.0%, Tunisia was 17.0%, and Morocco was 17.7% (Odika, 2013; World Bank, 2012; O.

Previous Studies

Sule, Odigwe, and Okoi (2020) assessed university-based investment and funding of university education in the Calabar metropolis, Nigeria. According to the study, university data-based services and bookshop services have a significant impact on university education funding. The study recommends that the federal and state governments adopt the directives of UNESCO by allocating more funds to universities (not below 24%) to alleviate the problem of underfunding in Cross River state universities. Famade, Omiyale, and Adebola (2015) examined how tertiary institutions can be better funded in Nigeria. The authors recommend that parents, guardians, the general public, the government, non-governmental agencies, international partners, and the private sector should support and subsidize the funding of tertiary education in Nigeria. Akomolafe & Temiwuni (2016) examined the various alternative sources to put in place in the public universities in Lagos State for financing the institutions. Therefore, the study shows that federal universities were able to employ more alternative sources of financing than state universities, and it further states that tuition is not an alternative source at the undergraduate level in federal universities. The paper recommends that the universities should employ more alternative sources, which are yet to be employed, that the state university specifically should be involved in some income-generating activities that are commercial and not currently employed, and that tuition should be introduced in the federal universities at the undergraduate level with consideration for students from poor parents. Famurewa (2014) opines that the government should focus on internally generated revenue projects that can be used for research 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 piece of research, Adeyemi (2011) opines that the best way to finance education is through bank loans for capital development, the introduction of property tax, donations from endowments and PTAs, an education tax, and a development levy. Also, Nwachukwu (2014) suggests that the private sector invests in and operates in the provision of education based on market demand and supply frameworks.

Eravwoke and Ukavwe (2019), studied the funding of tertiary institutions and the Nigerian growth perspective, The study also evaluates the effect of tertiary institutions' funding on national development in Nigeria. The paper indicates that funding is a veritable tool for tertiary institutions' growth in Nigeria, and government capital expenditure funding is not statistically significant in the growth process. The paper recommends that the government has to invest more in the education sector as well as ensure that the resources are properly managed and used for the development of education services, and the funding of higher education in Nigeria needs to be improved, especially in the area of capital expenditure funding. Victoria and Emmanuel (2014) examined the role of the tertiary education trust fund (TETFUND) in the management of university education in Nigeria. The paper concluded that Tetfund can help boost the structure of university education in Nigeria. Therefore, the paper recommends that various private organizations should contribute to the empowerment of Tetfund and that appropriate legislation should be made to help the agency carry out its activities effectively. Thomas (2020) gives an overview of the trends and nature of public funding of higher education in Nigeria. The paper supports increased public investment in higher education for many reasons. According to the paper, the government cannot provide all of the resources required to increase access to and promote the quality of higher education, necessitating the need for alternative financing mechanisms to supplement public funds in higher education

Concepts of *Sukuk*

Sukuk is an asset-backed or asset-based instrument that complies with Shari'ah (Islamic law) which has a stable income, tradable in the Islamic capital market. Thus, *Sukuk* is backed by tangible or intangible collateral and gives 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*).

The term *Sukuk* is a plural of *Sakk*, which means "legal document, deed, and check". It is an Arabic name for financial certificates but it can be seen as an Islamic equivalent of conventional bonds.

According to Account and Auditing Organization of Islamic Financial Institutions (2004), the term *Sukuk* can be defined as "Certificates of equal value representing individual shares in ownership of tangible assets, usufructs, and services or (in the ownership of) the assets of particular projects or special investment activity". Also, Islamic Financial Services Board (2004) defines *Sukuk* as "Certificate that presents 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".

Based on the above-mentioned definitions, *Sukuk* can further be defined as a commercial paper that provides investors with ownership of underlying assets. It is an asset-backed trust certificate evidencing ownership of an asset or its usufruct (learning or fruits). It has a stable income and complies with the principle of Shariah.

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".

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 for 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 Surah 2:282 of 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.''

From Malik, 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 hands and return them 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 the Prophet (pbuh).

Benefits of *Sukuk*

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

1. *Sukuk* is among the best way of financing large enterprises that are beyond the ability of a single party to finance.
2. *Sukuk* provides 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.
3. *Sukuk* represents an excellent way of managing liquidity for banks and Islamic financial institutions. When these require disposing of excess liquidity, they may purchase *Sukuk*, and when they require liquidity they may sell into the secondary market.
4. *Sukuk* is 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.

Futures of *Sukuk*

The following are common features of *Sukuk*:

1. Provide medium to long-term fixed rates of return
2. Assessed and rated by international rating agencies
3. Steady periodic income streams during the investment period

4. Liquid instruments tradable in the secondary market

Types of *Sukuk*

Sukuk can be of many types depending on the type of Islamic modes of financing and trades used in its structuring. The following are the common types of *Sukuk*.

A. *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 is passed through to investors in the form of coupon and principal payments. The *Sukuk al-Ijarah* provides an efficient medium–to long-term mode of financing (Mohamed, 2008).

B. *Sukuk Musharakah*

Musharakah is an Arabic word that 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, develop an existing one, or finance a business activity on the basis of a partnership contract (Mohamed, 2008).

C. *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 born by the provider of funds only, *Sukuk Mudharabah* is used to enhance public participation in big investment projects (Mohamed, 2008).

D. *Sukuk Istisna'a*

Istisna' 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 asset, 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).

E. *Sukuk as-Salam*

Salam is a contract that 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 the future to the buyer but the payment of the price should be on the spot.

F. *Sukuk al-Murabaha*

Murabaha is a sale of goods with an agreed-upon profit markup 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).

Basic Principles of Islamic Finance

Sukuk must comply with the following principles of Islamic finance:

1. The charging or receiving of interest is prohibited by Islamic law (Shari'ah), an investor should take in no profit or gain simply for the employment of money. The return to an investor must be coupled with the profits of the assets purchased and derived from the commercial risk assumed by the investor.
2. The underlying *Sukuk* assets must be Shari'ah-compliant, the assets or businesses underlying the *Sukuk* cannot be related to gambling, or the production or sale of alcohol or pork, amongst other things that are prohibited to be sold by Shari'ah.
3. Prohibition on uncertainty, speculation, and exploitation of ignorance, all rights and obligations relating to an investment certificate must be transparent and clear.

An Overview of the Global *Sukuk* Market

The Sukuk market is a new development in the Islamic financial system (Isra, 2012). According to Islamic finance information services (IFIS), cited in Islamic financial system: principles and Operations, Malaysia 1990 issued its first *Sukuk*, but since then there was no issuance by other market players or countries until 2001 when some institutions participated. The institutions including, Majlis Ugama Islam Singapur (MUIS) and the government of Bahrain issued *Sukuk*. Gutherie 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 at about US$9.4 billion.

The global *Sukuk* market witnessed' concrete 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 lines such as Turkey, and Indonesia. In recent times, landmark issuances were recorded from the UK, Hong Kong, Senegal, South Africa, and Luxembourg stating that the *Sukuk* market is a viable and competitive source of funding (MWIFM, 2015). Global *Sukuk* issuances in the first quarter of 2015 turned down to US$18.7 billion from US$24.2 billion in the 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 markets 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, and the issuance of *Sukuk* in 2018 shows a modest increase 0f +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. The majority of *Sukuk* have a maturity of three to five years. In April 2013, the Saudi Electricity Company (SEC) issued its first international 30 years *Sukuk* and in April 2014, the Dubai government issued its first-ever 15 years *Sukuk* (Lathem and Watkins, 2016).

Moreover, several types of research have been conducted on *Sukuk* financing. Adam, Ibrahim, and Mohd (2016), discuss issues related to *Murabahah* financing. Highlighted three different ways of structuring *Murabahah Sukuk* (*Murabahah* for asset acquisition, *Murabahah* with Inah transaction, and *Murabahah* with *Tawarruq* transaction). The paper concluded that *Murabahah Sukuk* should not be traded in the secondary market because it involved the sale of debt which is forbidden. Siti and Chaidir (2020), analyzes the influence of Islamic banks' *Murabahah* financing on the economic growth of the agricultural sector and also analyzes the characteristic of *Murabahah* for the agricultural sector. The findings show that *Murabahah* financing had a positive effect on economic growth in the agricultural sector and was one of the easiest products to use as alternative financing for the agricultural sector. Yati, Roshana, and Norizan (2018), investigated the sources of financing for PPP/PFI projects in Malaysia and identify barriers involved in PPP/PFI financing. The study opines that most of the Malaysian PPP/PFI infrastructure projects are associated with high project cost amount up to RM 6 billion and debt-equity ratios are in the range of 80:20 and 90:10. This demands the private company to restructure the PPP/PFI projects financing through a combination of few sources, debt (i.e *Sukuk*, bond, syndicated term loan, and government support loan) and shareholders' equity. In addition, the financing constraints are affected due to the complexity of credit assessment, high financing costs, and limited suitable financing facilities. Nurhasanah and Shinta (2019), study aims to determine the effect of Financing Deposit Ratio (FDR), DPK, Return on Asset (ROA), Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR), and Operational Efficiency Ratio (BOPO) on *Murabahah* Financing (MF). The result indicates that the FDR has no significant effect on MF, NPF has a significant positive effect on MF, CAR has no significant effect on MF and BOPO has no significant effect on MF. Ayoub (2020), empirically investigated whether *Sukuk* financing is boosting economic growth in Southeast Asia within the framework of the endogenous growth model. The study revealed that *Sukuk* financing is boosting economic growth in Southeast Asia, which reflects the significant role of the Islamic financial markets of *Sukuk* as a vital contributor to economic growth.

Firmansyah, Henry, and Dodi (2015), attempt to identify the suitable types of *Sukuk* applicable in shipping financing and examine the structure as suggested by Account and Auditing Organization for Islamic Financial Institutions (AAOIFI) in comparison to Malaysian practice. *Sukuk Muarabahah, Ijarah,* and *Istisna'* are some types in this consideration. The study concluded that Islamic bond seems to be suitable for shipping financing since they can use the ship as the underlying asset. Majid (2012), reviewed the evolution of Sukuk markets, described the *Sukuk* structure, and analyzes the progress of Islamic finance in Iran's economy the paper also aims to contribute to the debate on the issuance of *Sukuk* as an alternative investment/financing instrument. The study posits that the Islamic capital market has the potential to reach several trillion dollars and Iran should adopt and implement appropriate tools if wants to play the pioneering role in the biggest Islamic financial market. Therefore, Iran's Securities and Exchange Organization has ratified *Murabahah Sukuk* as well to facilitate Islamic finance besides *Musharakah* and *Ijarah Sukuk* but it is essential to consider for better implementation and promotion of the capital market. Ibrahim (2013), looks at the feasibility and benefit of introducing *Sukuk* into the Nigerian capital market and argues that Nigeria will gain a lot in terms of economic and strategic advantages by using *Sukuk* as an alternative source of funding for government programs, running concurrently with the conventional bond instrument. The study concluded that Malaysia is currently using Islamic finance to her realizing its vision of 2020. Therefore, Nigeria should use the same to achieve its own 2020:20.

Research Methods

A qualitative research method was employed by the study by gathering data from secondary sources. The research reviews journal articles, books, and other relevant materials to gather information for the study.

Result and Discussion

From the previous studies and evidence, this study clearly depicts that there is a lack of infrastructural facilities in Nigerian tertiary institutions this is due to poor funding by those involved in the system. For a sector to function effectively and efficiently has to be financed, monitored, and evaluated, and its policies have to be revised promptly. Infrastructure deficit is one of the factors that detrimentally affected the growth and development of a country. Equally, the soundness of a nation including its social, economic, political, and technological buoyancies relies on its ability to foster better education for its citizen. The inability of a nation to provide the infrastructure needed in an education sector largely affects the nation's growth and development. In this regard, the provision of infrastructure to Nigerian universities is one of the prerequisites for the economic, social, political, and technological growth and development of the nation. An infrastructure in Nigerian tertiary institutions is the basic fundamental key pillar and element needed for the growth and development of a nation. On top of that, the provision of efficient and effective education is recognized as an important tool that brings about rapid societal development. Education is one of the critical areas in the economy that can be considered in measuring the effectiveness and efficient level of development of a nation and serves as an index that attract 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). To link it up, investing in infrastructure would boost the country's economic growth and provide long-term economic development to industries, and would attract foreign investors to come and invest. Thus, financing infrastructure needs to be from revenue generated by Government, Private Sector, Privatization, Public Private Partnership (PPP), Non-Governmental Organizations (NGOs), International Donors, etc.

However, initially, in Nigeria, the government is responsible for funding tertiary institutions' education since 1948, when University College Ibadan was founded. But with the passage of time and the comings of complex administrations, everything has changed, and the tertiary education system has been neglected and put into the dustbin. Therefore, the system of funding tertiary education in Nigeria is grossly worrisome and the government is still allocating less money to the educational sector. When Nigeria's percentage of total annual budgetary allocations to education is compared with those of other less affluent African countries, the picture becomes not only very disturbing but also a reflection of imminent disaster for the nation. Connectedly, financing higher education in Nigeria today is a crucial national problem. The political, social, and economic factors, which are currently having a significant impact on the world economy, have necessitated the need to diversify the sources of education funding, mainly because reliance on only one source of revenue can inhabit educational growth (Oluwatoyin, 2007). Famade, Omiyale, and Adebola (2015) examined how tertiary institutions can be better funded in Nigeria. The authors recommend that parents, guardians, the general public, the government, non-governmental agencies, international partners, and the private sector should support and subsidize the funding of tertiary education in Nigeria. Famurewa (2014) opines that the government should focus on internally generated revenue projects that can be used for research 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 piece of research, Adeyemi (2011) opines that the best way to finance education is through bank loans for capital development, the introduction of property tax, donations from endowments and PTAs, an education tax, and a development levy. Also, Nwachukwu (2014) suggests that the private sector invests in and operates in the provision of education based on market demand and supply frameworks.

Still, there is compelling and increasing pressure and demand to improve the financing structure in the tertiary institutions in Nigeria by the stakeholders in the system which as a result of poor funding culminated in several strike actions. Thus, without a change in priority, the quality of tertiary institutions' education will further be deteriorated, given the huge and widening financing gap (Onyekwena, Uzor, Oloko & Adeniran,). Nevertheless, currently, Nigeria is highly in need of a financing strategy to achieve its desired educational outcomes for national development.

Drivers of *Sukuk Murabahah* in Financing Nigerian Tertiary Institutions

To successfully mobilize funds for infrastructure financing in Nigerian tertiary institutions, the *Sukuk Murabahah* structure has to be used. Murabaha is a sale of goods with an agreed-upon profit markup on the cost. *Murabahah* 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). *Murabahah*, also referred to as cost-plus financing, is an Islamic financing structure in which the seller and buyer agree to the cost and markup of an asset. The markup takes place of interest, which is illegal in Islamic law (Young, 2020).

This type of *Sukuk* has been used for the funding of infrastructural 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 and supply the equipment from the manufacturer or the contractor during the construction of the asset, and supply the item to the client on agreed deferred payment terms.

The following are the key features or requirements of *Sukuk Murabaha* according to (Latham and Watkins, 2015):

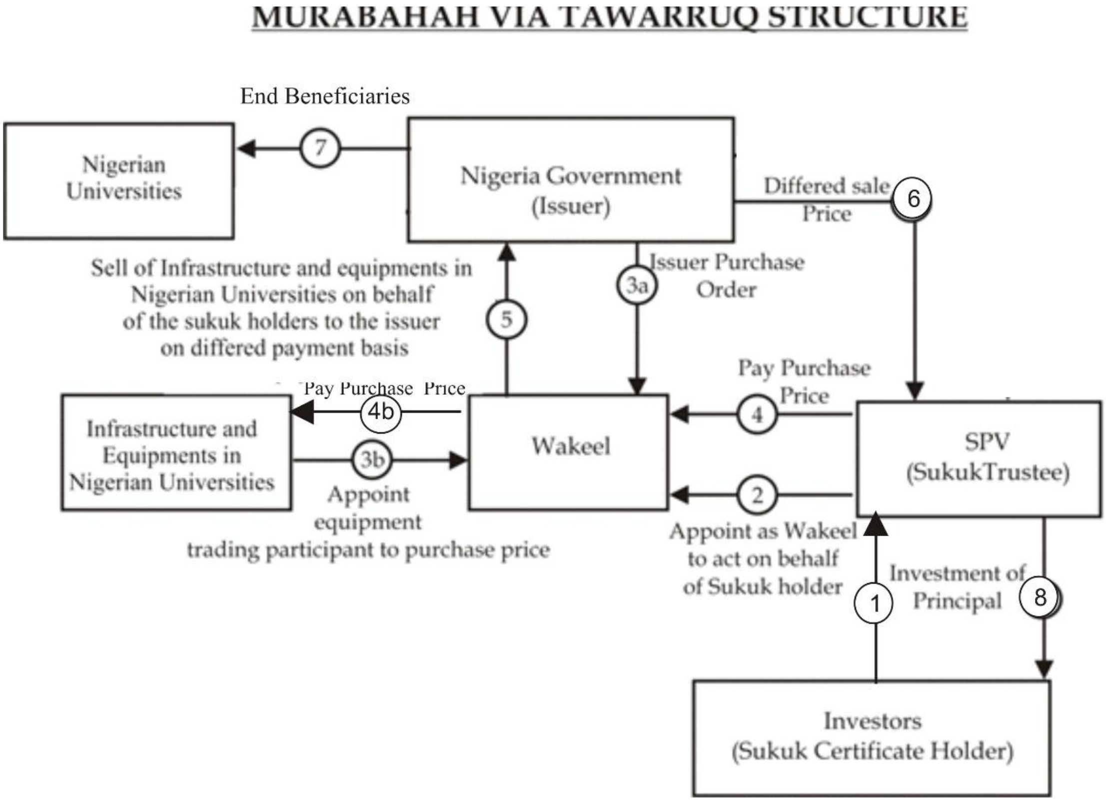
- The trustee’s profit must be clearly stated and agreed upon by both parties involved in the contract.
- The rate and period of the deferred price must be stated and agreed upon by both parties.
- The trustee as a seller must obtain the title of the commodities before they may be sold to the buyer.
- The commodities must be in physical or constructive ownership of the seller.
- The commodities purchased must exit, Non-existent of the commodities makes the contract void.

Proposed Model for Nigerian Tertiary Institutions

Education serves as the key driver to the economic flow of the global economy. In Nigeria, financing education became a bottleneck as a result of the tertiary institutions in the country lacking infrastructures which in consequence affected the growth and development of the institutions towards producing qualified-minded trained students in almost all fields of study. Therefore, this study proposed the *Sukuk Murabahah* mode of finance for education to serve as an alternative solution and driver toward restoring the image of the sector (tertiary institutions) in Nigeria. By applying *Sukuk Murabaha* as a mode of financing tertiary institutions, government, investors, and financial institutions would engage in the provision of employment opportunities, improve the quality of education, provide admission opportunities, provide investment opportunities, attract foreign investors, as well as enhancing the general economic growth and development of Nigerian economy. The *Murabahah* form of financing is typically used in place of interest-bearing loans in diverse sectors. For example, the government may use *Murabahah* when purchasing large equipment, buildings, household, appliances, cars, or real estate. Entrepreneurs use this type of financing when purchasing machinery, raw materials, and many others. In this regard, a *Murabahah* certificate will be issued by the SVP on behalf of the issuer to the investors. The investors agree to finance the project in compliance with the terms described and agreed upon.

Therefore, the Nigerian government should issue *Sukuk Murabahah* through Special Purpose Vehicle (SPV) as a registered company to mobilize funds from investors. With the proceeds of the issuance, the issuer (government) may finance the infrastructural projects in Nigerian universities. Below *Murabaha* structure can also be adapted for financing infrastructure in tertiary institutions in Nigeria. *Sukuk* proceeds from Investors may be applied by Issuer SPV to purchase commodities and sell such commodities to the Originator (Nigerian government) to generate the principal amount plus the profit margin from the *Murabaha* deferred price which would be distributed to the Investors throughout the period of the *Sukuk al-Murabaha*. The *Sukuk* certificates in a *Sukuk al-Murabaha* structure in essence signify entitlements to shares in receivables from the purchaser of the underlying *Murabaha.*

Figure 1. Proposed *Sukuk Murabahah Structure for Nigeria*



Overview of Structure

- The issuer SPV (as trustee) issues *Sukuk Murabahah*, which represents an undivided ownership interest in an underlying asset or transaction. They also represent a right against Issuer SPV to payment of the Deferred Price.
- The Investors invest and pay the principal amount to the issuer SPV. The issuer SPV appoints a Wakeel and the Wakeel acts as Trustee on behalf of the Investors.
- Issuer (Nigerian government as Purchaser) enters into a *Murabaha* agreement with Wakeel (as Seller), Wakeel agrees to sell, and Issuer agrees to purchase commodities from Wakeel on spot delivery and deferred payment agreement. The period for the payment of the deferred price will reflect the maturity of the *Sukuk*. The Wakeel purchases the Commodities from a third-party Commodity Supplier for a Cost Price representing the Principal Amount for spot payment.
- The Wakeel pays purchase price and the supplier makes spot delivery of the Commodities to Wakeel.
- The Wakeel (as Seller) sells the infrastructure and equipment needed to the Issuer on behalf of the *Sukuk* holders (investors) by the terms of the Murabaha agreement
- The Issuer (as Purchaser) makes installment payments of deferred price as agreed to SPV (as Trustee).
- Issuer SPV pays each deferred price installment to the Investors from the proceeds received from Issuer (Nigerian government).

Thus, *Sukuk Murabahah* serves as a reliable and viable avenue for funding infrastructural projects in Nigerian tertiary institutions with long-term tenure of payment options. Likewise, *Murabahah* financing is an interest-free financing option.

Conclusion

To conclude, Nigerian tertiary institutions have been experiencing infrastructure deficits as a result of poor funding and governance in the system. Therefore, the study has examined that financing tertiary institutions in Nigeria is a remarkably complex stage. Tertiary institutions in Nigeria lack financing architecture for infrastructural facilities and support from the political class. The study also concludes that to increase the application of *Murabahah* financing number of steps include an awareness campaign among policymakers and stakeholders in Nigerian tertiary institutions about the philosophy and operations of Islamic capital market products and services. Therefore, this study concludes that *Sukuk Murabahah* will play a significant role in financing and uplifting the standard of Nigerian tertiary institutions and bringing about national development. To link it up, *Sukuk Murabahah* has enormous potential to explore the Nigerian capital market as a mechanism for funding infrastructure in Nigerian tertiary institutions.

Therefore, the study recommends that promoters of *Sukuk* should create more awareness about its availability, security, and minimal risk so that the government at all levels and corporate entities can benefit from the service. Governments at all levels and corporate entities should be encouraged to patronize or adopt *Sukuk* as their financing option due to its features of providing social and economic benefits to the issuer. The existing legal and regulatory framework should always be conformed with and developed to remain unfailing with time and space.

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