



## Regional Sukuk Issuance Strategy for West Java Province Infrastructure Financing

### Strategi Penerbitan Sukuk Daerah Untuk Pembiayaan Infrastruktur Di Jawa Barat

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#### ABSTRAK

Penelitian ini bertujuan untuk mengidentifikasi masalah dan solusi yang menghambat penerbitan sukuk daerah untuk pembiayaan infrastruktur di Jawa Barat. Pendekatan pada penelitian ini menggunakan metode Analytical Hierarchy Process (AHP). Subjek penelitian ini berasal dari regulator, akademisi, dan praktisi di bidang sukuk sebanyak 7 orang. Hasil penelitian ini menemukan bahwa masalah terbesar belum diterbitkannya sukuk daerah di Jawa Barat adalah rendahnya pengetahuan masyarakat (investor) tentang sukuk daerah dan juga rendahnya kesiapan sumber daya manusia (SDM) pemerintah daerah. Hasil penelitian juga menemukan prioritas solusi yaitu melakukan sosialisasi dan promosi kepada masyarakat (investor) mengenai sukuk daerah, dengan strategi yang dapat dirumuskan sebagai berikut: 1) melakukan sosialisasi dan promosi kepada masyarakat (investor) mengenai sukuk daerah, 2) mengadakan pelatihan atau workshop tentang teknis penerapan, konsep, dan skema syariah sukuk, 3) membuat peraturan daerah khusus yang mengatur tentang penerbitan sukuk disesuaikan dengan otonomi daerah, 4) menyusun dan mengintegrasikan peraturan yang memadai dalam bentuk UU khusus, yang menjadi payung untuk pelaksanaan sukuk daerah. Penelitian ini diharapkan dapat memberikan manfaat bagi para stakeholder untuk merumuskan strategi penerbitan sukuk daerah di Jawa Barat agar kedepannya pemanfaatan sukuk daerah di bidang infrastruktur lebih optimal, sehingga peran sukuk daerah dalam pembangunan daerah dapat tercapai.

**Kata Kunci:** Sukuk Daerah, Pembiayaan Infrastruktur, Strategi Penerbitan Sukuk, Analytical Hierarchy Process.

#### ABSTRACT

*The study aimed to identify problems hindering the issuance of provincial/regional sovereign sukuk (regional sukuk) for infrastructure financing in West Java province as well as solutions to it. The study employed an Analytical Hierarchy Process (AHP) method. The subjects of this study altogether were seven regulators, academicians, and practitioners of sukuk. The results showed that the biggest problem preventing the government of West Java province from issuing a regional sukuk was the low level of public knowledge (investors) on the sukuk and of readiness on the part of human resources (HR) of the provincial government. Therefore, the study found that a priority solution to the problem was the socialization and promotion of provincial sukuk to the community (investors). The further solutions were as follows: 1) socialization and promotion of community training, 2) technical implementation, concept, and schemes of sharia sukuk, 3) Issuance of a special provincial regulation on sukuk, and 4) compilation and integration of related regulations on sukuk in a special law on sovereign sukuk which serves as a legal basis for provincial sovereign sukuk. The study was expected to shed some light on relevant stakeholders in formulating strategies for the issuance of provincial sukuk in West Java province. This in turn will guarantee better utilization of the sukuk for infrastructure financing, exploiting its true potential and roles for better provincial development.*

**Keywords:** Regional Sukuk, Infrastructure Financing, Sukuk Issuance Strategy, Analytical Hierarchy Process.

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## I. INTRODUCTION

Sukuk is a viable investment tool for muslim and non-muslim investors, allowing them to channel their funds to productive sectors and secure their funds for future uses as prescribed in the Qur'an (Harimurti & Zaky, 2020). Sukuk is arguably attractive to investors for the reasons of profitability and spirituality. Spiritually speaking, sukuk is considered free from sharia-prohibited elements, allowing investors to safely invest in it than in conventional financial instruments. Increased sukuk-based infrastructure financing in Indonesia since 2013 has made the government realize its true potential and role in infrastructure development (Pratiwi et al., 2017). Sukuk can help the government reduce its dependence on foreign debt and with an ever-increasing issuance of sukuk, overcome economic problems associated with foreign debt reliance of infrastructure financing.

Development must be evenly and fairly distributed to all levels of society to avoid economic inequality. It can be realized with the help of Sukuk. Government Islamic Securities (SBSN) or simply called government sukuk has been issued frequently among others to finance infrastructure projects. Up to February 27, 2019, the accumulation of Government Islamic Securities has reached Rp1.044,71 trillion of which Rp.90,79 trillion has been Project Financing Sukuk. The latter has been used to finance various projects across Indonesia (Fitrianto, 2019).

Government Islamic Securities (SBSN) has been issued to finance the State Budget (APBN) including financing infrastructure development. The accumulated proceeds of Government Islamic Securities (SBSN) issuance reached Rp1,253.4 trillion, this figure is already very high, so if the sukuk is used properly it will reach to the regional level, then the number of publication results will be bigger. Regional sukuk practices have been issued by several countries, including Saxony Anhalt Islamic Municipal Bonds in Germany and Pasir Gudang Johor, Malaysia (Triyanta, 2020). Regional sukuk that have been published become part of the source budget area. Regional sukuk using ijarah contracts and real underlying asset financing mechanisms make this financing instrument quite attractive interest Muslim and non-Muslim investors. This practice can become a role model's application of regional sukuk to become an alternative source of state revenue.

The Financial Services Authority (OJK) has encouraged provincial governments to issue provincial/regional sovereign sukuk (henceforth regional sukuk) as a source of funding for the budget in the area (Perdana, 2017). The collected sukuk fund is then specifically allocated for infrastructure development in regions so that regional dependence on the State Budget (APBN) allocated by the central government can be minimized. Another benefit is that the State Budget (APBN) allocated in the infrastructure can be reallocated to other important development sectors, such as health and education. Thus, the economic turnover in an area is expected to be faster and has a positive impact on the economic growth of the area.

Despite its potential, there are some challenges and obstacles in the issuance of regional sukuk, which are lengthy bureaucratic processes and political obstacles, such as the requirement of getting approval from the regional Legislative Council (DPRD) (Fadhilah, 2017). As an investment instrument that is considered new, regional sukuk needs to prove itself as a financial instrument with conditions for the potential and ability to pay the area that needs to be guaranteed. In addition, the readiness of each government region still has to be the main focus given the concept of the use of sukuk which is still very foreign to local stakeholders.

The problem hasn't been published yet municipal Islamic bonds in areas that have the potential for sukuk can be formulated become two source problems, namely internal problems and external problems. Internal aspects are divided into two main problems, which are: 1) Human Resources (HR) issues, in which the lack of understanding of the rules of the sukuk capital market and the concept and scheme of sharia sukuk; and 2) Terms for the issuance of municipal Islamic bonds, namely the approval of the DPRD and the central government. The external problems are divided into two, which are: 1) Government regulations, namely the Capital Market Law; and 2) the Government Islamic Securities (SBSN) Law and investors, namely public literacy and political risk (Aminy & Hurriati, 2018). Therefore, a regional sukuk development strategy is needed by preparing the infrastructure for the sale and purchase of regional sukuk through cooperation with other parties, such as Islamic banks for conducting socialization and training related to the issuance of regional sukuk, especially for regional financial management staff (Suriadi et al., 2020).

The results of research conducted by Kaffah & Wirduyaningsih (2019) also concluded that regulatory factors are the most decisive factor in how regional sukuk can be implemented properly in an area to be used to cover infrastructure financing needs. However, The results of this recent study is not in line with research conducted by Harimurti & Zaky (2020), which mentioned that things to do noticed in regional sukuk issuance is a factor of human resources. Holding training for finance division staff from each government region is needed so that the sukuk issuance program can run effectively.

There are several novelties related to this recent study. First, the topic related to the regional suku has not been discussed by other studies before. Therefore, this recent study become a novelty related to this topic. Research conducted by Pratiwi et al. (2017); Fitrianto (2019); Robin et al. (2020); Aminy & Hurriati (2018); Phase (2016); as well as Fauziah & Nurwahidin (2020) discussed topics regarding state sukuk, while in this study author discussed regarding regional sukuk. Furthermore, there is a difference related to data analysis from the previous studies. Research conducted by Hastuti & Santoso (2018) and Harimurti & Zaky (2020) uses data analysis in the form of ANP (Analytic Network Process), whereas this recent study used data analysis in the form of AHP (Analytical Hierarchy Process). Then, related to where the research took place. Research conducted by Suriadi et al. (2020); Al Ajlouni & Al Habeeb (2021); Surachman & Setiawan (2016); Manyanja & Manyengo (2022); Samonikov et al. (2017); Gorelick (2018); as well as Nallathiga (2015) were taken place outside West Java and some others were overseas such as West Nusa Tenggara, DKI Jakarta, Saudi Arabia, Uganda, Republic of Macedonia, Africa, and India. This study chose the province of West Java as the place to do the research.

According to Suriadi et al. (2020) stated the importance of regional sukuk to be implemented and used as an alternative income for local governments, especially infrastructure allocation funds. Therefore, to overcome the existing weaknesses and threats, it is necessary to carry out a strategy by perfecting the regional government's bureaucratic reform policy which includes a paradigm shift in service to citizens from a control (distrust) to a trust-based service. The purpose of the study was to identify hindering problems and solutions to regional sukuk issuance for financing infrastructure in West Java as well as formulate a strategy for resolving the problem. In this recent study, the author used data analysis in the form of the Analytical Hierarchy Process (AHP). The AHP method is a new alternative approach for qualitative research studies that can combine intangible values and judgments from each subjective point of view (Baskoro et al., 2021). Thus, AHP can determine the aspect or indicator that has the highest priority with count subjective values from experts who are competent in their fields. This study was expected to give benefit for the stakeholders to formulate a strategy issuance of regional sukuk in West Java so that in the future utilization of regional sukuk in the field of infrastructure can be more optimal. Therefore, the role of regional sukuk in the development of the region could be achieved.

## II. LITERATURE REVIEW

### Sukuk Concept

The word sukuk comes from the word "sakk", derived from economic terms as a legal instrument, deed, or check. So, sukuk can be interpreted as a legal document that is proof of equity participation or proof of debt to the owner of a price that can be transferred and is commonly long-term (Haq et al., 2020). Meanwhile, in terms of "terminology", based on the DSN-MUI Fatwa No. 32/DSN-MUI/IX/2002, sukuk are long-term securities based on sharia principles issued by issuers to sharia bondholders that require issuers to pay income to shareholders. Islamic bonds in the form of profit sharing/margin/ fee as well as repaying bond funds when they mature (Fasa, 2016). In addition, a sukuk is defined as a certificate that provides indispensable proof of ownership of a tangible asset, value benefit, service, or asset ownership of a particular project or investment activity. In contrast to financial instruments in general, sukuk comply with sharia principles, meaning that they do not contain things that are prohibited in Islamic law such as *usury* (interest), *gharar* (uncertainty), *maysir* (speculation), and *haram*. Sukuk must comply with Sharia and real asset-based transactions (Lailaa & Anshori, 2020).

Based on some of the definitions of sukuk above, it can be concluded that sukuk is proof of ownership of assets that are not touched by interest, free from all elements of *usury*, *maysir*, and *gharar*. The benefits and profits reaped by the sukuk buyers come from profit sharing or rental benefits

generated by the assets in which the sukuk is the underlying document.

Besides being able to be used as an alternative source of funds for infrastructure financing, the issuance of sukuk will certainly produce other strategic benefits including: First, encouraging the growth of the national Islamic finance industry. The ownership of domestic state sukuk in Islamic banking as part of providing safe assets for Islamic banking has a positive and significant effect on the ratio of the total value of Islamic banking financing to GDP which measures the development of Islamic banking (Latifah, 2020). There are at least two benefits of Government Islamic Securities (SBSN) for the Islamic finance industry: Government Islamic Securities can be an alternative investment for the Islamic finance industry that has access to liquidity, and Government Islamic Securities (SBSN) can also be used as a means for Islamic finance industry to develop its assets.

Second, increase the portion of State Budget (APBN) on infrastructure financing. The issuance of state sukuk series using underlying assets in the form of infrastructure projects has expanded the fiscal space of the state budget. Funding for infrastructure development that should have been in the state expenditure post was partially withdrawn to the financing post (Latifah, 2020). This will certainly add benefits to the budget slack, especially in state expenditure posts. Funding for infrastructure projects that exist in state expenditure posts can be allocated for other infrastructure financings. In other words, sukuk funds can be used as spare ammunition in closing budget holes used for infrastructure financing.

Third, encourage orderly management of the State-owned Property (BMN). Underlying assets in the form of State-owned Property (BMN) to be used in the issuance of Government Islamic Securities (SBSN) are required to be clean from ownership disputes (clean) and have complete supporting documents (clear) such as proof of ownership (Latifah, 2020). This requirement then compels the agency or management body of State-owned Property (BMN) to be orderly in the management of it. The requirement for State-owned Property (BMN) to be in (clear) and (clean) status to make the administration of State-owned Property (BMN) itself an obligation. On a macro level, this will give birth to other benefits, namely the strengthening of the accountability position of assets owned by the state.

Fourth, encourage orderly management of government infrastructure projects. Likewise, in the management of infrastructure projects by Ministries/Agencies, by being used as underlying assets, project management is encouraged to be more orderly, especially in terms of project implementation progress and fund withdrawals as planned (Latifah, 2020). Among the requirements that are by sharia in the applicable contract structure, completion of infrastructure by the specified time is obligatory. On the other hand, if a project is not completed within the time agreed in the contract, it is a violation so prevention is a must so as not to give rise to more complex legal consequences.

Fifth, it becomes the alternative investment instrument for the community. The issuance of Government Islamic Securities (SBSN) will provide additional investment instruments for parties who have a surplus of funds. Government Islamic Securities (SBSN) is very attractive because the government guarantees the payment of return and principal, so it can be said to be a zero-risk investment instrument (Latifah, 2020). Apart from being risk-free, investing in Government Islamic Securities (SBSN) is also considered more profitable than investing in other instruments. Individual investors also get convenience when retail state sukuk and state savings sukuk are offered as investment instruments.

Sixth, assist the Central Bank of Indonesia (BI) in conducting Open Market Operations (OMO). To maintain the inflation rate (inflation targeting), the monetary authority (BI) carried out several policies including controlling the money supply in the community. Usually BI conducts open market operations (OMO) by reducing or increasing the money supply. To perform the OMO, BI requires several instruments that can be used to influence the money supply (Latifah, 2020).

### **Regional Sukuk Concept**

Regional Sukuk or municipal Islamic bonds are letters of valuable state sharia issued by the regional government or institution government used for financial development in the regional level. By issuing sukuk, the government area could help budget areas experiencing deficits as well as to accelerate development project infrastructure in the form of the street highway, airports, ports, bridges, schools, hospitals, etc. (Hastuti & Santoso, 2018).

The city bond is a tool financing for cities and local units in many countries of the world, based on self-reliant administrative and financial units of these and to reduce the burden budget general state.

There are many experiences in using instrument state finances, with tool finance contemporary. One tool the is later known as " Islamic bonds " which have been getting popularity in the world, is getting a confession from global financial markets as a viable financial instrument (Al Ajlouni & Al Habeeb, 2021)

A city bond is a bond issued by the state or local government as publisher for pay return to give loan as an investor of money borrowed (called principle). Together with interest by timetable fixed. Temporary Commission Securities and Exchange (2016) bonds are the bonds issued by the states. District/City and other government funds daily obligation and fund capital projects such as build school, highway, or channel system disposal. In Indonesia, a bonds city is interpreted as a loan area offered to the public through a common offer in the capital market area (Surachman & Setiawan, 2016).

Regional sukuk could interpret as a valuable letter issued by each regional authority government with the purpose of adding alternative regional income. The funds generated by the sukuk then used for the financing of local necessities and the need for the local infrastructure development, and funds frequent made under lying asset from that sukuk itself. There are several types of regional sukuk that have been published in other countries, such as Saxony Anhalt and Pasir Gudang Johor.

Saxony Anhalt was the first regional sukuk to be published by regional government in a non-Muslim country and was published directly by federal state saxony Anhalt, which is a state in Germany and its debt is guaranteed by the Federal government of Germany. The underlying asset of this sukuk was in the form of expensive building construction borne by the ministry of finance. Project issuance of this sukuk worth around 100 Billion EURO and futures 5 years (Lahsasna et al., 2018). As for Pasir Gudang Johor, it was published in Johor, Malaysia in February 2005. The value of regional sukuk issuance is around 80 million of Malaysian Ringgit. This Gudang Pasir Sukuk have a commitment of *mudharabah*. Contract conducted Among institution publishers with authority of local Pasir Gudang (Khan, 2015)

#### **Local Own-Source Revenue (PAD)**

Local Own-Source Revenue of the provincial government (PAD) is regional revenue obtained from regional sources in the region which is collected by itself based on regional regulations with regional regulations or applicable laws and regulations. Local Own-Source Revenue plays a very important role because through this sector it can be seen how far a region can finance government activities and regional development (Baldric, 2017).

Local Own-Source Revenue (PAD) is obtained from sources that exist in the region only, the higher the role of Local Own-Source Revenue in the regional financial structure, the higher the financial capacity of the region to carry out regional development activities. Local Own-Source Revenue is sourced from income, namely regional taxes, regional levies, the results of separated wealth management, other income from the legal origin. Regional original income is said to be good for meeting regional development financing if the achievement of its presentation exceeds 70% of total Local Own-Source Revenue (Carunia, 2017).

There are many ways that can be used to increase local revenue to close to or even equal to the potential revenue, but in general there are two ways to increase Local Own-Source Revenue to the maximum, namely the intensification method and the extensification. method of intensification is for calculated retribution. The potential is as accurate as possible, the revenue target can approach its potential. while the extensification method is carried out at the stage of extracting the source of the tax object or is required to find a new tax (Carunia, 2017).

Regional income is sourced from local own-source Revenue, regional fiscal balance, and other income. Based on the theory, it can be seen that local own-Source revenue is the sources of revenue collected by applicable regional regulations which funds are used in financing regional development.

#### **Financing Infrastructure**

According to Tjokroamidjojo (in Listyaningsih, 2014) the term development has not yet found an agreement on meaning. Typical development is generally defined as a series of efforts to realize growth and change that is planned and consciously pursued by a country and nation towards modernity. Although it has a regional meaning, development is now synonymous with development facilities or physical infrastructure to achieve the main goal, namely towards a modern nation so that progress will

be easily achieved by a nation. The better the infrastructure of a nation, the better the nation's hopes for progress.

Infrastructure plays an important role in the growing economy of a country. Infrastructure covers the road, highway, railway, harbour, fire, and air. Good infrastructure on electricity, fuel (BBM), and gas is also needed to support transportation, industry, and household. Public facilities like schools, hospital, markets, police office, as well water facilities which include clean water, handling waste, irrigation, and regulation of flood is needed to support the achievement of a public well-being (Putri & Wisudanto, 2017)

According to Grigg (1988) (in Cakrawijaya et al., 2014) infrastructure is a physical system providing transportation, irrigation, drainage, buildings, and other facilities public needed to Fulfill the needs of goods, social, and economy. Law no. 7 of 1992 concerning banking has changed become Law no. 10 of 1998 concerning banking in article 1 number 12: Financing based on Sharia Principles is the provision of money or an equivalent claim based on an agreement or agreement between the bank and another party that requires the party being financed to return the money or claim after a certain period of time in exchange for a profit or profit sharing. This is based on an agreement and pattern of the financing which are clear, transparent, and precise in the period the time that has been determined, if there is no clarity then this process will be inappropriate. It means that the financing process will become good when the process is clear (Kennedy et al., 2020).

Infrastructure financing based on Scope-of-value provides a new pathway that in the future can lead to a cycle of value's benefit on creating value and financing value to guarantee repayment and investment on more capital, thus enabling further infrastructure development (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2021). Infrastructure financing is funding to support infrastructure development. Infrastructure financing can be distinguished according to the time period, short-term means short-term financing while long-term financing is financing for a longer period of time. The longer the time taken by financing, of course, the more funds will be consumed. The government's limited budget means that financing does not have to depend entirely on the budget (Fauziah & Nurwahidin, 2020).

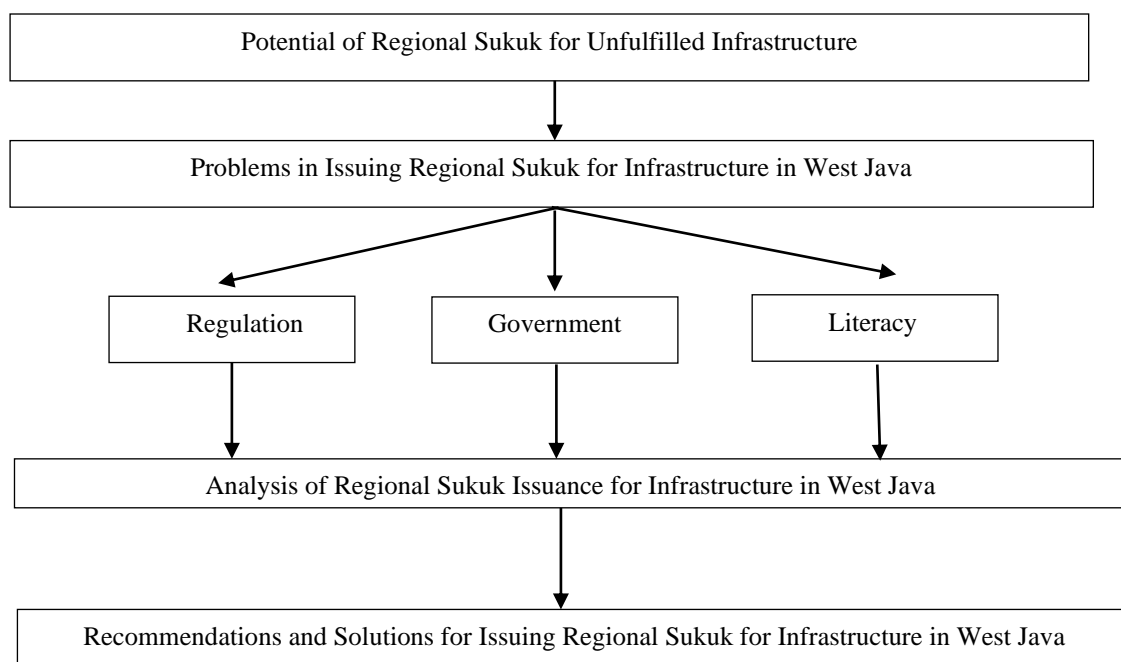
This should further encourage the authority related to the utilization of other potential funding sources to become an alternative to infrastructure development funds, especially the long-term category. Therefore, the use of Islamic financial instruments such as sukuk can be a promising option for the government to be used in an effort to develop their region.

### **Research Model Development**

Based on the concepts and conclusions of previous related research, it can be concluded that the regional sukuk by specific could help finance the infrastructure of a country and a region through its issuance and strategy for effective use. By law, sukuk is allowed on the basis of a strong argument. This is also the reason why the development of sukuk can be fast and must be a whip for local governments to be more serious in efforts to issue regional sukuk.

However, the legal umbrella created by the state facilitates the issuance of regional sukuk. Fatwa of the National Sharia Council (DSN) - Indonesian Ulema Council (MUI) Number 32/DSN-MUI/IX/2002 concerning Sharia Bonds, Financial Services Authority Regulation Number 62/POJK.04/2017 concerning the Form and Contents of the Prospectus as well as a brief Prospectus in the context of Public Offering of Regional Bonds and/or Regional Sukuk, as well as the Constitution of the Republic of Indonesia Number 19 of 2008 concerning State Sharia Securities. The value of 3 (three) out of 3 (three) legal umbrellas is sufficient for the supply of each region in Indonesia issues regional sukuk.

According to the approach of the problem, the author summarized all of the essence of the previous study about regional sukuk issuance for financing infrastructure into the two main problems which were from external and internal, which then developed into the following several indicators: the freedom of regional government, special regulations, regional regulations, readiness of human resources, socialization and promotion, regional development planning, and condition of the regional sukuk issuance.



Source: Author (2021)

Figure 1.  
Research Model Development

### III. RESEARCH METHODS

The study employed a qualitative approach using a descriptive method. The study used designed exploratory study. There were three dimensions involved, namely regulation, government, and literacy. Each of these dimensions is interrelated with one another. Since the main focus was to explore the problems and strategies of regional sukuk, it involved many elements of government in aspects of regulations, management of government, and literacy of human resources. The followings are indicators that are on each dimension:

Table 1.  
Indicators in Every Dimension

Dimension	Indicator	Instrument
Regulation	Legislation Regulation	There is no adequate special regulation to be the umbrella law for regional sukuk issuance
	Regional Regulation	Special regional regulation arranged for regional sukuk issuance is not exist
	Condition of Regional Sukuk issuance	Conditions for issuing sukuk burden local governments
Government	discretion Local Government	The lack of freedom of lthe ocal government in issuing sukuk
	Local Government Governance	Improve the regional government transparency
	Development Planning	sukuk is not included in the instrument of regional development planning.
Literacy	Readiness for Human resources	Lack of readiness in the human resources among regional government
	Socialization and Promotion	Lack of knowledge among the community (investors) about regional sukuk

Source: Based on various references (2021)

The data analysis technique used was Analytic Hierarchy Process (AHP). The subject of AHP research was expertises come from regulators, practitioners, and academics. The Selection of research expertises in this study was considering the understanding of respondents to the problem of issuance of regional sukuk in West Java from each regulator, practitioners, and academics. In AHP, the number of

experts was not made validity research benchmark. Followings are the list of experts who became the subject of the study.

Table 2.  
Subject of the Study

No.	Expert Name	Institution	Position
1.	M. Faisal Fahmi	Ministry of Finance Republic of Indonesia	Head of Regional Loans and Bonds
2.	Tetep Abdulatip	Commission 4, Regional Legislative Council (DPRD) of West Java	Head of Commission
3.	Ady Rahmat	Field Infrastructure and Territorial, Regional Development Planning Agency (BAPPEDA) West Java	Head
4.	Luqyan Tamanni	National Committee on Islamic Economy and Finance	Head of Sharia Capital Market Division
5.	Eri Hariyanto	STEI Tazkia	Academics
6.	Neni Sri Wulandari	Universitas Pendidikan Indonesia	Academics
7.	Frisca Devi Choirina	Ngerti Saham	Co-Founder

Source: Author (2021)

The instrument used in the study was primary data through questionnaire. The instrument was developed with the use of a scale ratio. The priorities in the scale ratio are the fundamental numbers that make it possible to perform basic arithmetic operations. Scale obtained from pairwise comparisons (Ascarya, 2005). The measurement scale ratio is believed to be the most accurate in the measure the factors that make up the hierarchy. The scale used ranges from 1-9 (Rusydiaana & Devi, 2013).

Stages in the study using AHP method are as follows (Tanjung & Devi, 2013): 1) Model Construction; 2) Model Quantification; and 3) Analysis of Results. Analysis of the results on the AHP model used Geometric Mean (GmK). Geometric Mean was used to determine the results of the assessment of the respondents and determine the results of the opinions in one group. Questions were in the form of pairwise comparison which then is compared and combined to create an agreement between these opinions.

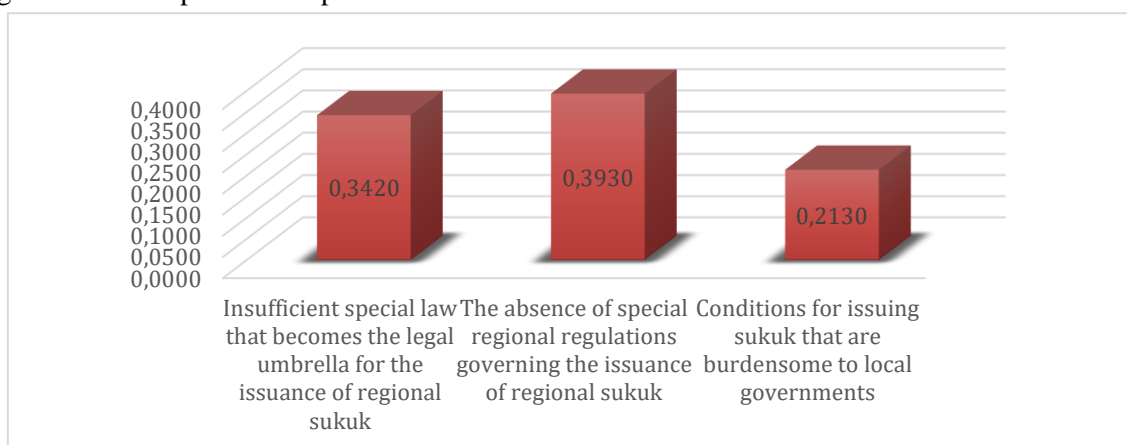
#### IV. RESULTS AND DISCUSSIONS

##### RESULT

##### Geometric Mean (GmK) on Problem Aspect

##### Regulation Dimension

Regulation dimension discusses problems related to regional sukuk issuance from the perspective of the government regulation. The followings are the results of GmK of dimensions regulation on the problems aspect:



Source: Data Processing Results (2021)

Figure 2.  
Geometric Mean Dimension Regulation on problems Aspect

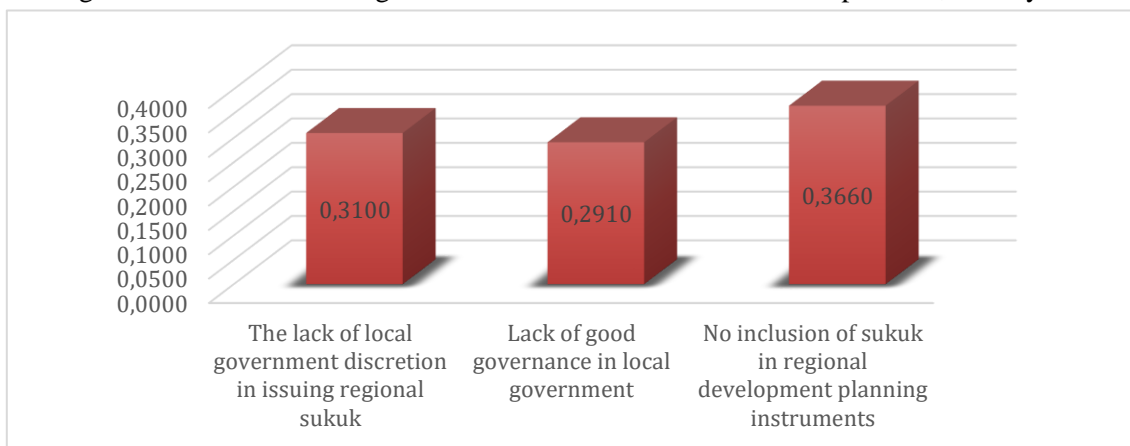


Based on Figure 2, it is known that the most problematic indicator on the dimension of regulation is the absence of regional regulation for the issuance of regional sukuk, with a GmK score of 0,3930. Empty post on regional law to facilitate regional sukuk issuance is one of the problem to overcome. Since there is no special regional regulations, it is become the source of obscurity about mechanism in issuing sukuk (Hastuti & Santoso, 2018).

The indicators that are considered unproblematic with regulation dimensions is condition of sukuk issuance become the burden of the regional government, with GmK score of 0,2130. The regional sukuk issuer must have a proportion of regional debt maximum of 3% of GDP. Report on local government finance also needs to be audit and the financial prospectus report must also obtain a fair opinion based on the previous year's financial statements. Therefore, these conditions of regional sukuk become burdensome for regional government (Hastuti & Santoso, 2018).

**Government Dimension**

Government dimension is related to the role of government in regional sukuk issuance. Following are results GmK of the government dimensions in terms of the problem, namely:



Source: Data Processing Results (2021)

Figure 3.

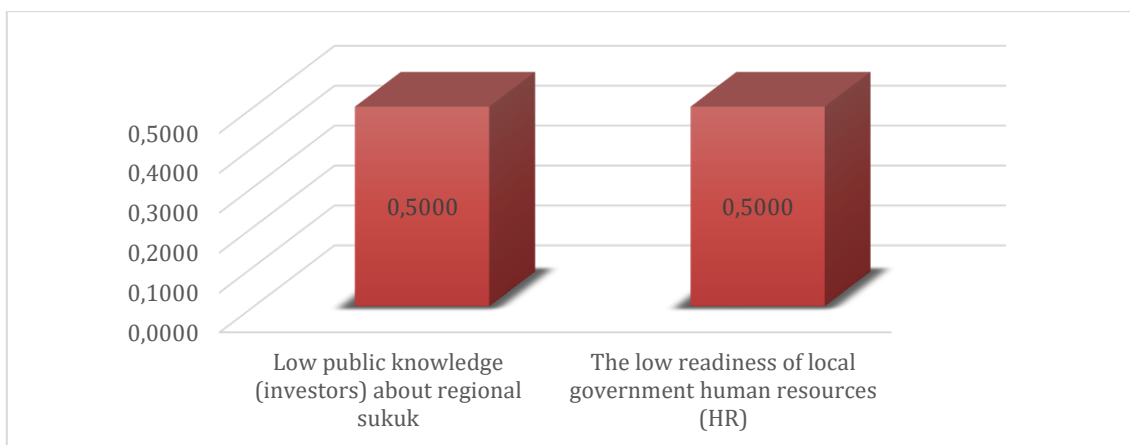
*Geometric Mean of Government Dimension on Problems Aspect*

Based on Figure 3, it can be seen that the most problematic indicator on the dimension of government is no inclusion of sukuk in the instrument of regional development planning, with a score GmK of 0,660. According to Hastuti & Santoso (2018), the government's discretion is still considered minimal, which is why the granting of discretion to local governments in determining their attitude is a necessity. An attitude that is not too free will certainly not make local governments independent and not bound to determine sukuk issuance policies.

The indicators that are considered problems are the lack of governance management and good governance in the regional government, with a score GmK of 0,2910. Management of public service in local government is still convoluted and not transparent so it needs to look for a solution that can support current sukuk issuance (Ibrahim, 2013).

**Literacy Dimension**

Literacy dimension is related to the level of community literacy and human resources in regional government to regional sukuk. Followings are GmK result on the literacy dimensions on the problem aspects. Based on Figure 4 , it is known that the second indicator that exists in the dimensions of literacy which has considered as the problem is low knowledge of the community (investors) about regional sukuk and also the low readiness of human resources among local government, with score GmK of 0,5000. According to research conducted Suriadi et al. (2020), the knowledge of the community (investors) about regional sukuk is still very low, while as is known that one-factor of the success on finance instrument in the form of sukuk is the rampant enthusiasm of investors (community) in their participation. Then, Harimurti & Zaky (2020) mentioned that low readiness of human resources among local government one of the problems which becomes the reason why issuance of regional sukuk is not ready yet.



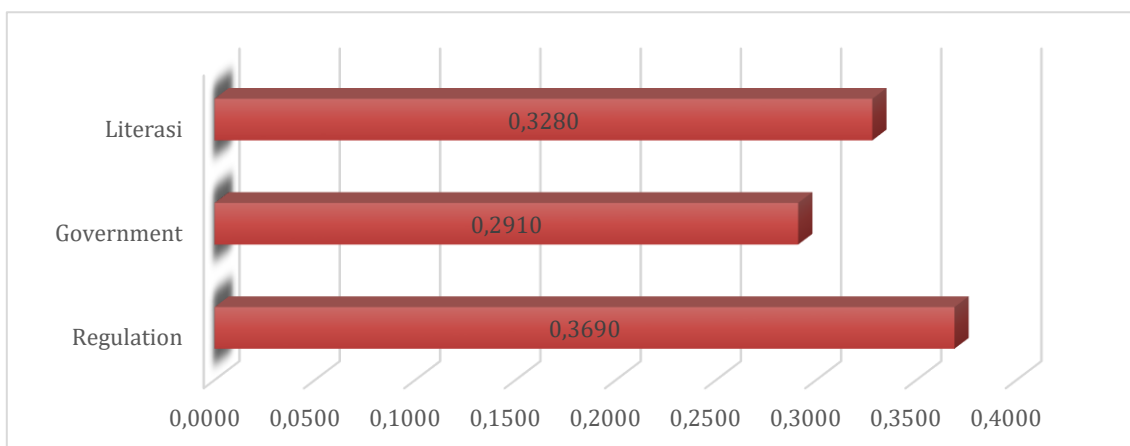
Source: Data Processing Results (2021)

Figure 4.

*Geometric Mean Literacy Dimension on Problems Aspect*

### General Dimension

In part this, respectively from All dimensions, which one is the most problematic and which one is the least problematic. The followings are the results of the GmK score on the problem aspect of the overall dimensions:



Source: Data Processing Results (2021)

Figure 5.

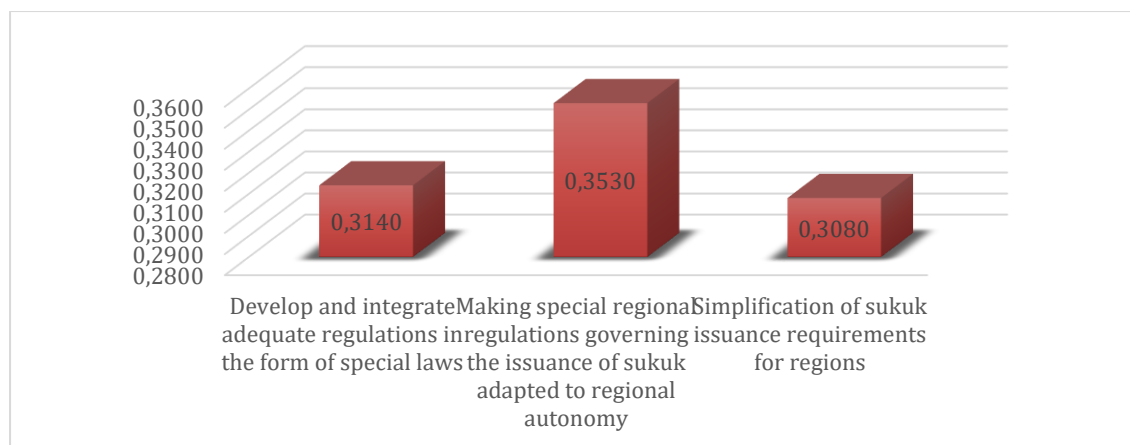
*Geometric Mean Dimension by Overall dimensions on Problem Aspect*

Based on Figure 5, it can be seen that the most problematic dimension among others is dimensions of regulation, with a score GmK of 0,3690. Whereas second problematic is dimensions of literacy, with a GmK score of 0,3280. As for the dimensions which considered less problem is dimension of the government, with a GmK score of 0,2910.

### Geometric Mean (GmK) on Solution Aspect

#### Regulation Dimension

Regulation Dimension discusses related solutions with regional sukuk issuance from the side of regulation government. Following are results of GmK score on regulations dimensions on the aspects of solution. Based on Figure 6 it can be seen that prioritized solutions to regulation dimensions was to make regulation area special arrange about customized sukuk issuance with regional autonomy, with GmK score of 0,3530. Regional government need to make special regulation as the umbrella of issuance regional sukuk which of course integrated with regulation from central government (Surachman & Setiawan, 2016). As for the less solution prioritized on dimensions of regulation is conducted simplification condition on issuance of regional sukuk, with score of GmK 0,3080. Simple terms mean giving convenience to the area in applying study in the form of policy issuance of sukuk, other than that, the implementation will become more concise and simpler (Hastuti & Santoso, 2018).



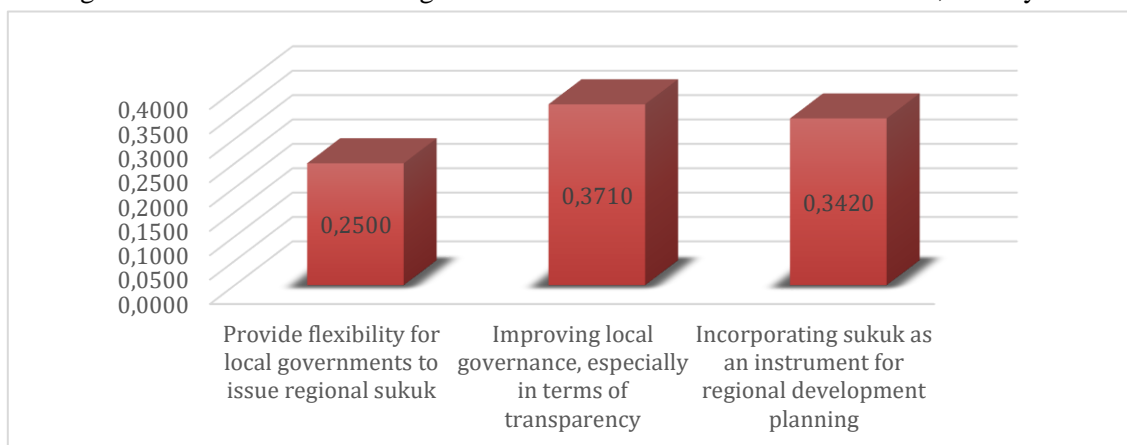
Source: Data Processing Results (2021)

Figure 6.

*Geometric Mean Regulations Dimension on Solution Aspect*

### Government Dimension

Government dimension is related to the role of government in regional sukuk issuance. Followings are the results of GmK of government dimensions in terms of solution, namely:



Source: Data Processing Results (2021)

Figure 7.

*Geometric Mean Government Dimension on Solution Aspect*

Figure 7 showed that prioritized solutions on dimensions of government are improving governance local government specifically in transparency with a score of GmK 0,3710. The more transparent the local government, the higher public trusted will be so that it is maximizing regional sukuk when its already published.

As for the less solution prioritized on government dimensions is the freedom for the regional government for issuing regional sukuk without asking for approval of the Regional Legislative Council (DPRD) and central government with a GmK score of 0,250. Utilization of regional sukuk for financing infrastructure could be realized with the method to give freedom to regional government for issuing regional sukuk without asking for approval of Regional Legislative Council (DPRD) and the central government (Hastuti & Santoso, 2018).

### Literacy Dimension

Literacy Dimension related to level of community literacy and human resources among local government to regional sukuk. Following are results of GmK score on literacy dimensions in the aspects solution. Based on Figure 8, prioritized solutions on dimensions of literacy has to do with socialization and promotion to the community (investors) regarding regional sukuk, with a GmK score of 0.4920. Socialization and promotion must be vigorously held through certain programs, through various media such as mosques and Islamic boarding schools so that the community can be more familiar with the regional sukuk products (Suriadi et al., 2020)

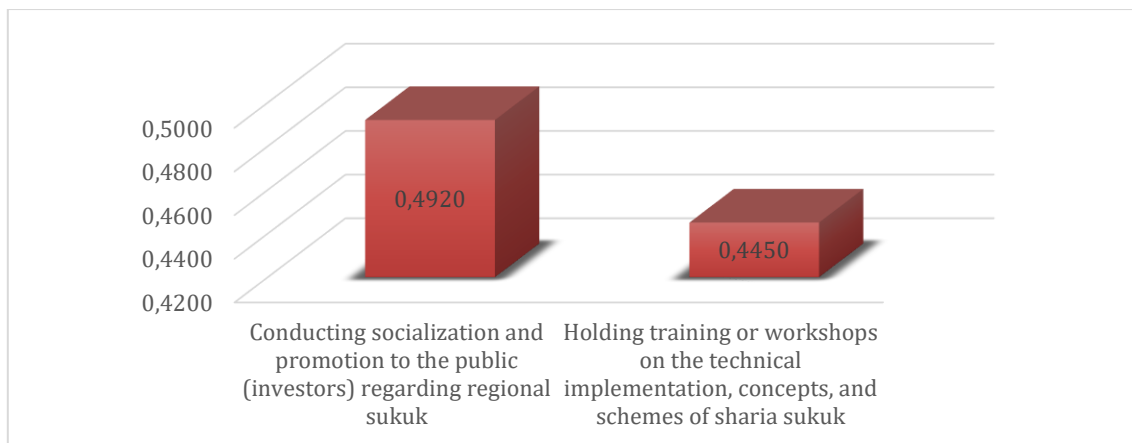


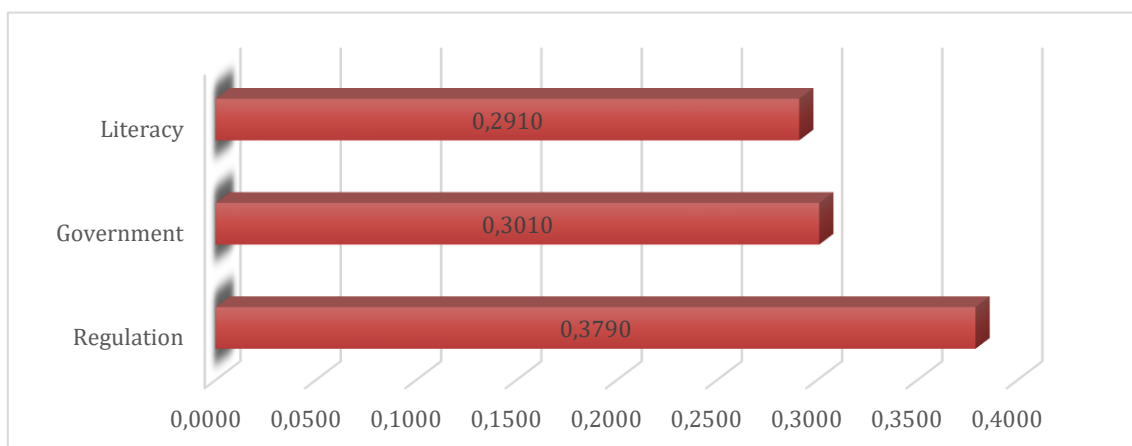
Figure 8.

*Geometric Mean of Literacy Dimension on Solution Aspects*

The less prioritized solution on the literacy dimensions is training or workshops about the technical application, concept, and sharia scheme of regional sukuk, with a GmK score of 0.445. According to Harimurti & Zaky (2020), each local government improves HR more formerly so that the sukuk issuance program can run effectively.

**General Dimension**

In this part, respectively from overall dimensions, there has to be dimensions which is the most solutive and which is the least solutive in general. Following is the results of GmK score of solution in general:



Source: Data Processing Results (2021)

Figure 9.

*Geometric Mean of General Solution*

Based on Figure 9, it is known that in general, the most prioritized solution is the regulation dimensions, with a GmK score of 0,3790. The second priority is the government regulation with a GmK score of 0,3010. The only dimension which give the least solution is the literacy dimension, with a GmK score of 0,2910.

**DISCUSSION**

Based on the above explanation, the dimension that became a priority in regional sukuk issuance for financing infrastructure is the regulation dimension. The indicator that is considered the most problematic is the absence of regional regulation special arranged for regional sukuk issuance. By regulation, implementation of regional sukuk is not yet supported by the umbrella of law in the form of constitution special arrange about mechanism and regulation of regional sukuk. Whereas the existence of regional sukuk regulations could become guidelines and references for the government in settings regional sukuk issuance.

Moreover, the dimensions to be a priority in regional sukuk issuance for financing infrastructure are regulation dimensions. As for indicators, the prioritized solution is to make the regional regulation

special and arrange customized sukuk issuance with regional autonomy. This result shows the consistency between expert respondents regarding aspect of problems and aspects of prioritized solutions in the study.

Regulation is rules made to help control something groups, institutions/ organizations, and communities to achieve their destination certain in life together, and socialize. So, destination-made regulation is for controlling the public with certain limitations. As for regulations, it has to be applied to various institutions for public good and public necessity (Silalahi, 2020). Thus, the issuance of regional sukuk can be optimally supported by good regulation. During this, regional sukuk referred to Law Number 23 of 2014 concerning Local Government and Government Regulations Number 54 of 2005 concerning Regional Loans. Besides that, the birth of POJK Number 61/POJK.04/2017, POJK Number 62/POJK.04/2017, and POJK Number 63/POJK.04/2017 are efforts of The Financial Services Authority's (OJK) strategy to accommodate the technical implementation of regional sukuk in Indonesia. This will push the development of infrastructure that not only becomes the base of power enhancement as the competitive region but also as a tool of infrastructure distribution and economic growth throughout Indonesia.

The research conducted by Kaffah & Wirduyaningsih (2019); Hastuti & Santoso (2018); as well as Harimurti & Zaky (2020) mentioned that the regulatory factor is the most decisive in how regional sukuk can be implemented properly in the region to be used to cover infrastructure financing needs. To use maximizing the role of sukuk in the region development, as well as give certainty law for regional sukuk, regulations are required in the form of a special constitution to be law umbrella implementation of regional sukuk. With the existing problems and solutions that become a priority in regional sukuk issuance for financing infrastructure, then it is needed several strategies for resolving the problem. Therefore, the author has formulated four important points for the strategy of regional sukuk issuance for financing infrastructure in West Java, which are:

To begin with, make the regional regulation special arranged about customized sukuk issuance with regional autonomy. One of the reasons is that the issuance of Sukuk is not have enough basic law, especially in the region. The need of making direct regional regulation special umbrella for the issuance of sukuk by the local government which of course integrated with regulation from the central government. This means that with the authority of regional autonomy. Local governments have the flexibility to utilize regional sukuk as an instrument of development through the synergy of stakeholders in the region. Operationally, this regional sukuk follows the pattern carried out by the central government (The ministry of finance).

Second, compiling and integrating adequate regulations in the form of a special law, which becomes an umbrella for the implementation of regional sukuk. Constitution is specially needed so that the government has a strong foundation at the level of law that special regulates procedures, technical, and everything from regulation to regional sukuk issuance.

Then, socialization and promotion have to be done to the community (investors) regarding regional sukuk. In the issuance of sukuk, the participation community (investors) becomes one of the keys to the success. Furthermore, knowledge of public about sukuk, more specific about regional sukuk still not sufficient. This needs to be overcome with intensified socialization introduction of regional sukuk to society. Increasing the public knowledge first will be more successful compared to the local government directly publishing the regional sukuk.

Fourth, hold training or workshops about technical application, concept, and sharia scheme of sukuk. Understanding about intricacies outs the instrument of sharia finance especially sukuk from apparatus government-related region direct with Sukuk issuance is still minimal. Because it is necessary to hold enhancement understanding through measurable programs so that in time regional sukuk issuance will be effective and benefits will be maximum. Hence, if strategies can be implemented by the relevant stakeholders, the regional sukuk can be published and financing infrastructure. So the role of *waqf* in the region could be achieved.

## V. CONCLUSION

Based on the discussion above, it can be concluded that with respect to the issuance of regional sukuk for infrastructure financing, the prioritized aspect of problems and solutions, in general, is the regulation dimensions. Accordingly, there are four strategies to solve the problems, which are: 1) Socialization and promotion of regional sukuk to the public (investors); 2) Training or workshops on the technical application, concept, and scheme of sharia sukuk; 3) Issuance of special regional regulation on sukuk issuance in compliance with the designated autonomy; and 4) compilation and integration of regulations in form of a special law (law), which serves an umbrella for the implementation of regional sukuk.

This study shows the need for a socialization program to introduce sukuk instruments to the community. It also shows that it is crucial to improve the quality/literacy of human resources of the regional government on the sukuk. It is also evident that a special regional regulation on sukuk issuance is badly needed, one which is in compliance with the designated autonomy of the regional government. This will ensure that the regional government can independently decide on the issuance of regional sukuk to help them deal with infrastructure financing issues. The limitation of the study is the development of the AHP research model which is still not perfect due to the very limited development of regional sukuk research models. This arguably has made it relatively difficult to find references directly related to this research. Thus, further research related to regional sukuk research models is needed.

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