THE ROLE OF *SUKŪK* IN ISLAMIC CAPITAL MARKET: THE NIGERIAN EXPERIENCE (2013-2023)

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Abstract
From the advent of Islamic finance, Islamic capital markets (ICMs) have achieved global attention in financing the needs of the public and private sectors. *Sukūk* has been the financial tool used to achieve the success of ICMs. Its significance as an intermediary in directing funds towards building a country's economy growth has brought Islamic finance to the fore of the international financial markets. In consonance, the global financial centers such as, the UK, Hong Kong and Luxembourg have all engaged in *Sukūk* issuance as part of their financial options. This paper x-rayed the role of *Sukūk* in Islamic Capital Markets, as a comprehensive analysis of the part played by it in the development of a country's economy growth. Comparative assessments have been made on matured and developing ICMs, as well as those in their infancy. Ultimately, the lessons derived from a Nigeria progress in nurturing its Islamic financial arena has been used as a benchmark to accelerate another Nigeria developmental effort. Analysis focussed on the issues and challenges related to structure, issuance (supply or sell) and investment (demand or buy) when comparing a domestic *Sukūk* market's state of development against its neighbouring peers or geographical groupings. Under these core headings, several yardsticks have been used to determine the level of the *Sukūk* market's inclusion in its financial system, and the progress of *Sukūk* as a financing tool for economic development. These yardsticks have been deployed towards developmental stage conditions, in which the general findings have been highlighted.

Keywords: *Sukūk*, *Ijarah,*, Islamic capital Market.

Introduction

Sukūk (*Shariīah* Compliant Bond), commonly known as Islamic certificates, play an increasingly significant role in the Islamic Capital Market (ICM) as it allows investors to share the profits derived from the asset or activity that has been financed. The growth of *Sukūk* as a financial instrument has predominantly been driven by Muslim countries, such as Malaysia and those that make up the Gulf Cooperation Council (GCC). The combination of a large Muslim population and a well-structured Islamic banking system based on common principles among the Muslim community, notably, *Sharīah* has enabled these countries to issue almost all the *Sukūk* to date in a global market that is now worth more than USD100.0 billion a year.

Sukūk is becoming an important asset class for investors from both conventional and Islamic backgrounds. By the same token, it is also attracting the attention of sovereign, multilateral and corporate issuers worldwide, thus further increasing the numbers embracing the principles of Islamic finance. *Sukūk* or Islamic bonds is the most popular component in Islamic Finance among Muslim and non-Muslim consumers alike. *Sukūk* refers to trust certificates or participation securities that grant investors a share of the asset including the cash flow and risks that commensurate from such ownership. Similar to financial conventional bonds in the financial industry, *Sukūk* are proof of ownership title and are utilised by financial institutions and corporates bodies to raise cash.

Both conventional bonds and *Sukūk* are structured in tandem arrangement with physical assets that generates revenue. However, unlike a bond, *Sukūk* can be designed from innovative applications of Islamic financial contracts. Ever-aging on various Islamic principles, *Sukūk* can be structured in several ways to offer the issuing entity greater financial flexibility and options to meet its funding requirements. In Islamic capital markets, interest rate swaps and other conventional forms of derivative instruments such as credit derivatives and detachable options are not available as Islamic law prohibits these. Therefore, risk management requirements and considerations for competitiveness should force the *Sukūk* structures to further evolve and offer *Shari'ah* compliant alternatives to traditional derivatives.

Without *Sukūk* structures and with such depth, the financial markets may not fully develop in many emerging economies (Tariq, 2004). The market for *Sukūk* has grown tremendously in recent years, from less than $8 billion in 2003 to $45 billion in 2020. *Sukūk* provide sovereign governments and corporations with access to the huge and growing Islamic liquidity pool, in addition to the conventional investor base. The structure of *Sukūk* is now well established in several corporate and sovereign/supranational issues in the international bond markets. Malaysia and the Gulf regions are the main hubs for *Sukūk* issuance; however, *Sukūk* issuance is not limited to Islamic countries.

There is a growing number of issuers from the United States, Europe, and Asia. Such bonds have been issued by such sovereign borrowers as the State of Qatar, the Bahrain Monetary Agency, the Government of Pakistan, the Government of Malaysia, and the State of Saxony Germany, many international agencies such as the Islamic Development Bank and companies such as Nestle, Lotus Capital in Nigeria, as well as several oil companies, in Dubai, and the Standard Chartered Bank have embraced *Sukūk* (Cakir, S & Raei, F. 2007). There are certain differences between conventional bonds and *Sukūk*. A bond represents the issuer's pure debt, while *Sukūk* represent ownership stake in an underlying asset. For example, an *Ijarah* (lease) contract that is often used to structure sovereign *Sukūk* creates a lessee/lessor relationship which is different from a lender/borrower relationship. Investor protection mechanisms for *Sukūk* remain largely untested. Taxation could also become an issue for certain investors where the legal basis for taxation of Islamic securities is not legislated in the home country (Thuronyi, 2007). The objectives of this research were to review the evolution of *Sukūk* markets, describe the *Sukūk* structures and analyze the progress of Islamic finance in Nigeria's economy growth. The paper aimed to contribute to the debate on the issuance of *Sukūk* as alternative investment/financing instruments to conventional bond.

***Sukūk*: The Global Market Outlook**

In Nigeria, the *Sukūk* market remained active in 2013, bustling with new announcements and promising indicators of progress. The industry delivered a strong performance in the first half of 2017 registering up to USD53.6 billion which prompted Federal government to venture into it in 2017 (Eikon-Thomson Reuters, 2019). Notably, the global *Sukūk* market rebounded in 2016, providing renewed confidence to market participants and setting the stage for more *Sukūk* issuance in 2017 and beyond. Ground-breaking issues in 2017 include Saudi Arabia's maiden domestic *Sukūk* facility of SAR17 billion (USD4.53 billion) under its Saudi Arabian Government SAR-denominated *Sukūk* programme, which was oversubscribed more than three times, with demand exceeding SAR51.0 billion.

In Turkey, the government launched the sale of gold-denominated lease certificates on 2nd October 2017 in an attempt to tap households' gold holdings. The issuance utilized public assets held by the central government, state-own enterprises and local administrations as the underlying asset. Africa has also made some waves in the *Sukūk* market, with The Gambia's issuance of a number of short-term *Sukūk* and Nigeria finally making its debut with a sovereign *Sukūk* valued at 100 billion Nigerian naira (about USD 277.0 million) for road construction and rehabilitation.

More countries in Africa such as Kenya and Morocco were anticipated to join the *Sukūk* bandwagon in the foreseeable future. Elsewhere, the Hong Kong government issued another sovereign *Sukūk* in 2017, positioning itself as one of the favoured emerging *Sukūk* markets for issuers. Another noteworthy announcement was by the UK Treasury, which promised to return to the sovereign *Sukūk* market in 2019 with the reissuance of its GBP 200 million inaugural *Sukūk* issued in 2014. This underlines the UK government's commitment to further developing its Islamic finance market.

Other issuances which generated much market hype include the pioneer RM 250.0 million (about USD 59.0 million) green SRI *Sukūk* from Malaysia, issued by Tadau Energy Sdn Bhd in July 2017, followed by Quantum Solar Park Malaysia Sdn Bhd's RM1.0 billion (about USD236.0 million) issuance in October. Given the increased emphasis on environmental protection, *Sukūk* is expected to play a more important role in the coming years and garner greater support from regulators, governments and the private sector in building a more sustainable and eco-friendly economy according to Ashraf, and Alizadeh (2011).

Aims, Objectives and Scope of the Study

The main objective of this study was to analyze the role of *Sukūk* as an instrument for capital market development and resource mobilization and as an alternative financing tool for the economic development of the public and private sectors. The research showcased six (6) countries in different stages of *Sukūk* market development, including five (5) OIC member countries and a selected non-OIC member country. Based on this analysis, the study provided policy recommendations to promote *Sukūk* at both domestic and global levels. It also envisaged facilitating the building of a cohesive *Sukūk* development roadmap that OIC member countries could adopt.

The study covers the following:

1. The key building blocks in developing a *Sukūk* market, including examining the theoretical and legal natures of *Sukūk*, the institutions involved in developing the *Sukūk* market, the parties involved in *Sukūk* issuance, and the requisite conducive environment.
2. Comprehensive assessment of *Sukūk* structures, issuances and investments, including topics and challenges vis-a-vis operational aspects, such as legal and regulatory issues, *Sharīah* governance, innovation in *Sukūk* structuring, the nature and application of *Sukūk* structuring techniques, risk analysis, rating and pricing.
3. Case studies of *Sukūk* development in 6 OIC and non-OIC countries, including the growth of their *sukuk* markets, analysis of their *Sukūk* issuances, structures and investments, the challenges and drivers affecting the development of the *sukuk* market, and policy recommendations to address challenges and spur the growth of the *Sukūk* market in Nigeria.

Research Methodology

Based on the objectives and scope of the study, the following methodology was adopted to investigate the various aspects of *Sukūk* development in Nigeria, and particularly some selected States in the South-West Nigeria:

1. **Desktop Research:** This involved the review of the written literature, information, documents, country experiences, practices and works of relevant international institutions, and open sources of relevant national institutions. To enrich the study, it also involved analysis of data from industry and economic reports, research publications, macroeconomic data, and surveys of Nigeria as a country. Primary data from Bloomberg and Eikon-Thomson Reuters have been used to assess information on the market shares of various segments in the Islamic financial markets, including *Sukūk*, to provide a comprehensive assessment of *Sukūk* structures and issuances across jurisdictions by different entities—corporate, quasi-sovereign and sovereign.

2. **Survey and Interview (Online Survey, Phone Calls, Face-to-Face Meetings and Field Visits):** This involved the development of survey questions and semi-structured interview questions on the core scope of the study, i.e. the development of the *Sukūk* market and its role in the ICMs, from various perspectives—issuances, structures, investments, enabling infrastructure, issues and challenges. Series of interviews were conducted with various parties involved in the *Sukūk* market, such as issuers, lead arrangers, investment bankers, investors, legal advisers and regulators. The results from the interviews provided some insights on the challenges faced and the necessary improvements required to further develop the *Sukūk* market, particularly in countries in the infancy and developing stages. The selection of subjects for case studies was based on the diversity of regions and the

different development stages of their *Sukūk* markets in terms of their legal and regulatory frameworks, size and segments. Looking at historical trends and the study's proposal to create a development roadmap for *Sukūk* markets in the country.

The objective of finding a *Sharīah*-compliant alternative to interest-bearing bonds, with features and benefits similar to bonds, had led to the contemporary development of *Sukūk* as an Islamic financial instrument. Islamic financial institutions had needed a *Sharīah*-compliant tool that could be structured as a short-term instrument, to manage their excess liquidity. They also needed a *Sharīah*-compliant instrument to raise medium- to long-term large-scale financing. Corporations and governments alike had sought a non-interest-based financing vehicle to raise funding for infrastructure projects, real estate development, asset acquisition, business expansion and other socio-economic projects.

The early *Sukūk* issuances had thus mimicked the features of fixed-income securities, providing regular returns to investors throughout the maturity period and repaying the capital upon redemption. The *Sukūk* issuances had been backed by revenue from specific projects, instead of generating returns. *Sukūk* can also be issued in various denominations, currencies and tenures. Similar to conventional securities, they can be structured to target different types of investors, be rated and listed, be traded on the secondary market, be restructured and rescheduled, and be secured against different types of assets. All said *Sharīah* compliance is vital in *Sukūk* structuring, issuance and trading.

Evolution of *Sukūk* as an Islamic Financial Instrument

The evolution of *Sukūk* can be traced back from its classical use to its development in contemporary times. Early utilization of the term "*Sukūk*" in classical literature can be traced back to the 1st Century AH, during the Umayyad Caliphate under the rule of Caliph Marwan ibn al-Hakam. A narration quoted in al-Muwattaʾ of Imam Malik (hadith no. 44) refers to *Sukūk* as a certificate - more specifically, commodity or grain coupons - entitling its holders to the receipt of commodities/grains when the *Sukūk* matured. The holders of these certificates used to sell the *Sukūk* for cash before taking delivery of the commodities/grains upon maturity. This practice had led to the sale of the underlying assets that the *Sukūk* represented before the holders took ownership of the commodities/grains. It was thus disapproved by scholars at the time. According to (Yaquby, 2009), the Ottoman Empire (1299–1923) had been issuing similar financial certificates, known as esham, to finance public debt since 1775. These certificates had, as underlying assets, the right to collect taxes (a form of financial right); the tax revenue due to the state had been securitized to raise financing.

In more recent times, the International Islamic Fiqh Academy of the Organisation of Islamic Cooperation (IFA-OIC) discussed the issue of *Muqaradah* bonds in 1986 and 1988. The deliberations established the conditions of issuing *Muqaradah* certificates and thus legitimized the concept of *Sukūk*. The idea approved was that of a *Muqaradah Sukūk* (a term used by the Maliki and Shafi'i schools of thought, which is similar to the term *Mudarabah Sukūk*), which the *Sukūk* certificates represented.

The IFA-OIC's resolution on *Muqaradah Sukūk* had come after the Ministry of *Awqaf*, Islamic Affairs and Holy Places in Jordan initiated the process of issuing such *Sukūk* in 1977. The

Government of Jordan had been looking for *Sharīah*-compliant financing for the renovation of *waqf* properties and had sought to use the revenue generated by specific projects to back the *Sukūk* issuance. To initiate the process, it had promulgated the *Muqaradah* Bonds Act, which came into effect in 1981. Besides Jordan, several attempts were made by other countries to issue *Sukūk* before 1990, notably Pakistan, Malaysia and Turkey. These issuances were, however, short-lived (except for Malaysian government issuances) due to the prevailing conditions at that time in those countries.

The *Sukūk* market underwent a nascent stage in 1990-2000. Musa (2014), identified this period as the awareness-building phase by stakeholders, including potential issuers and investors. In Malaysia, much attention had been given at that time to the introduction of the *Sukūk* market, the players, the concepts, the mechanisms and the structures of *Sukūk*. The *Sukūk* market marked its actual emergence from 2001. There has been an increased number of *Sukūk* issues amid significant market growth. *Sukūk* has also evolved as a financial instrument in terms of the various types of *Sharīah* contracts used in its structuring, the underlying assets backing the issuance, the types of *Sukūk* issued and developments in terms of players, investors, markets and infrastructures among others.

Sukūk can be structured alongside different techniques. *Sukūk* also present partial ownership in a debt, asset, project, investment or business while a conventional bond is a promise to repay a loan. In addition, the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) issued standards for 14 different *Sukūk* types. Moreover, the most common structure is Ijarah which is based on leasing transactions. Other common structures are *Ijarah, Istisna, Mudarabah, Murabahah* and *Salam.* Also, the *Sukūk* of Bithamin Ajil (*Murabahah* based) in Malaysia is very popular but not so for Arab investors. The suitable classification of the asset classes will also determine the type of certificates to be issued. Moreover, it is essential to note that these assets can be prepared for the issuance of trust certificates in a number of ways in condition to the need of the issuing entity. *Sukūk* is a plural of *Sakk*. This means "legal documents, deed, and check". It is an Arabic name for financial certificate but it can be seen as an Islamic equivalent of the conventional bonds.
AAOIFI defined *Sukūk* as:

> "Certificates of equal value representing undivided shares in ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity". (Page 298 of AAOIFI's Shari'ah Standards for Financial Institutions 2004-5).

Based on the definition, *Sukūk* can be further defined as a commercial paper that provides an investor with ownership in an underlying asset. It is asset-backed trust certificates evidencing ownership of an asset or its usufruct (earnings or fruits). It has a stable income and complies with the principle of *Sharī'ah*. Unlike conventional bonds, *Sukūk* need to have an underlying tangible asset transaction either in ownership or in a master lease agreement (Al-maghlout, 2007).

Types of *Sukūk*

The proper classification of the asset classes also determine the type of certificates to be issued. It is imperative to note that these assets can be prepared for the issuance of trust certificates in a number of ways conditional to the need of the issuing entity.

1. **Pure *Ijarah Sukūk*:** These certificates are issued on stand-alone assets identified on the balance sheet. The assets can be parcels of land to be leased or leased equipment such as aircrafts and ships. The rental rates of returns on these *Sukūk* can be both fixed and floating depending on the particular originator.

2. **Hybrid/Pooled *Sukūk*:** The underlying pool of assets can comprise of *Istisna*', *Murabahah* receivables as well as *Ijarah*. Indeed, having a portfolio of assets comprising of different classes allows for a greater mobilization of funds as previously inaccessible. *Murabahah* and *Istisna* assets can comprise a portfolio. However, still at least 51 percent of the pool must comprise of *Ijarah* assets. Due to the fact the *Murabahah* and *Istisna*' receivables are part of the pool; the return on these certificates can only be a pre-determined fixed rate of return.

3. **Variable Rate Redeemable *Sukūk*:** The above mentioned two types of *Sukūk* would partially represent the strength of the issuer's balance sheet. Under some conditions, implementing *Sukūk* by representing the full strength of an issuer's balance sheet can prove to be beneficial. Already, several corporate entities refer to these *Sukūk* as *Ijarah* Term Finance Certificates (MTFCs). This can be considered as an alternative to *Sukūk* because of its seniority to the issuer's equity, its redeeming nature and its relatively stable rate as compared to dividend payouts. MTFCs have a few advantages. First, employing *Ijarah* returns is preferred from the viewpoint of jurists as such an arrangement would strengthen the paradigm of Islamic banking that considers partnership contracts as the embodiment of core ideals. Secondly, the floating rate of return on these certificates would not depend on benchmarking with market references such as London Inter-Bank offered rate (LIBOR) but would instead be contingent on the firm's balance sheet actualities.

4. **Zero-coupon non-tradable *Sukūk*:** Another possible classification of *Sukūk* structures can be created where the assets to be mobilized do not exist yet. Consequently, the objective of the fund mobilization would be to create more assets on the balance sheet of company through *Istisna*'. However, certificates of this nature would not readily be tradable because of *Shari'ah* restrictions. The primary asset pools to be generated would be of the nature warranted by *Istisna* and instalment purchase/sale contracts that would create debt obligations. The certificate on these debt arrangements can be termed as fixed rate zero coupons *Sukūk*.

5. **Embedded *Sukūk*:** These form of *Sukūk* are either whether zero-coupon, pure-*Ijara* or hybrid, with the embedded option to convert into other asset and forms depending on specified conditions.

6. **Expanded List of *Sukūk*:** In response to the emergence of interest in issuances of Islamic asset backed financial instruments, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) released an exposure draft of its Shari'ah standards concerning *Sukūk* in November 2002. According to the exposure draft: "Investment *Sukūk* are certificates of equal value representing, after closing subscription, receipt of the value of the certificates and putting it to use as planned, common title to shares and rights in tangible assets, usufructs, and services, or equity of a given project or equity of a special investment activity." (Abdulkadir, 2018)

Features and Benefits of *Sukūk*

Tradable *Sharīah*-compliant capital market product provides medium to long term fixed or variable rates of return. *Sukūk* are assessed and rated by rating agencies, which investors use as a guideline to assess risk/ return parameters of a *Sukūk* issue. Regular periodic income streams during the investment period with easy and efficient settlement and a possibility of capital appreciation of the *Sukūk*. Liquid instruments is also tradable in secondary markets. (IIFM, 2009),

***Sukūk* in Nigeria**

The State of Osun in southwestern Nigeria raised the first *Sukūk* bond in Nigeria. The bond which was worth ten billion naira and which was equivalent to $62 million was raised from the capital market to fund educational development. Today, Osun *Sukūk* is driving national fund for development projects. It was the first of such steps by Africa's biggest economy. Aregbesola the former Governor of Osun State was aware that Islamic financial instruments such as *sukūk* have been used to finance infrastructure projects in countries like Malaysia and Indonesia, and in the Middle East, and could attract investors from such countries. He also knew that Islamic finance requires a clear link with real economic activity and transactions have to relate to a tangible, identifiable asset, which comes in handy in the case of infrastructure financing. (Abdulmumin, 2017)

Following the success of Osun *Sukūk*, the first Federal Government of Nigeria (FGN) *Sukūk* Bond in 2017, FBN Quest Merchant Bank Limited was appointed as Co-Financial Adviser to the Debt Management Office (DMO) on the issuance of the second N100 billion *Sukūk* offer. The *Sukūk* 2 offer was aimed at consolidating on the gains of the *Sukūk* 1 by injecting an additional N100billion, which was directed at funding more infrastructure development projects across the country. The *Sukūk* further sought to diversify the FGN's source of funding, deepen the market for domestic securities and improve financial inclusion, particularly for ethical investors.

The Federal Government took cue from Osun State by taking N100bn *Sukūk* bond for the financing of 25 road projects being handled by the Federal Ministry of Power, Works and Housing across the country. The *Sukūk* proceed would unlock the potential of national development in Nigeria. The minister observed that, "this was the first *Sukūk* bond issuance for Nigeria. It is about financial inclusion and deepening of Nigerian financial markets. The proceeds were used to support government capital spending for 2017 – and it facilitated the construction and rehabilitation of 25 key economic roads across the six geo-political zones of the country. (Nasir, 2013)

The Federal Government released the proceeds of the N100 billion *Sukūk* bond to 25 key economic road projects of the Federal Ministry of Power, Works and Housing. The finance Minister handed over the cheque to Minister of Power, Works and Housing, Babatunde Fashola. The offer was oversubscribed at N105.87 billion. The minister said: “the milestone was a sign of confidence in the Nigerian economy and the administration of President Buhari”, adding that the *Sukūk* proceeds would unlock Nigeria’s potential. “This is the first *Sukūk* bond issuance for the Federal Government and second *Sukūk* bond in Nigeria because Osun State was the first to issue *Sukūk* bond in 2013. It is about financial inclusion and deepening of our financial markets.

Table1: A list of some projects funded by Ijarah *Sukūk* in Nigeria
THE FULL LIST

PROJECT TITLE	AMOUNT IN NAIRA	ESTIMATED DELIVERY DATE
Construction of Oju/Loko-Oweto bridge overRiver Benue to link Loko (Nasarawa state) and Oweto (Benue state) along route F238	4,144,708,134.18	December 2017
Dualisation of Abuja-Abaji-Lokoja road section I (international airport link road junction – Sheda village	3,000,000,000.00	March 2018
Dualisation of Suleja-Minna road in Niger state phase II (km 40+000-km101+000)	3,521,958,532,49	April 2018
Dualisation of Abuja-Abaji-Lokoja road: Section IV Koton Karfe-Lokoja in Kogi state	3,500,000,000.00	January 2018
Dualisation of Lokoja-Benin road: Obajana-Okene in Kogi state	2,500,000,000	January 2018
Dualisation of Kano-Maiduguri road linking Kano-jigawa-Bauchi-Yobe	4,166,666,666.67	March 2018
Dualisation of Kano-Maiduguri road linking Kano-Jigawa-Bauchi-Yobe and Borno states. Section III (Azare-Potiskum) in Bauchi	3,500,000,000.00	December 2017
Dualisation of Kano-Maiduguri road linking Kano-Jigawa-Bauchi-Yobe and Borno states. Section IV (Potiskum-Damaturu road) in Yobe	4,000,000,000.00	December 2017
Dualisation of Kano-Maiduguri road linking Kano-Jigawa-Bauchi-Yobe and Borno states. Section V (Damaturu-Maiduguri)	5,000,000,000.00	June 2018
Dualisation of Kano-Maiduguri road linking Kano-	5,000,000,000.00	June 2018

PROJECT TITLE	AMOUNT IN NAIRA	ESTIMATED DELIVERY DATE
Jigawa-Bauchi-Yobe and Borno states. Section I (Kano-Wudil-Shuari) in Kano		
Dualisation of Kano-Katsina road phase I, Kano town at Dawanau roundabout to Katsina border in Kano	3,000,000,000.00	September 2018
Construction of Kano western bypass as an extension of dualisation of Kano-Maiduguri road section I	4,000,000,000.00	May 2018
Construction of Kaduna eastern bypass	4,666,666,666.67	January 2018
Rehabilitation of outstanding section of Onitsha-Enugu expressway: Amansea-Enugu border	5,166,666,666,67	December 2017
Rehabilitation of Enugu-Port Harcourt dual carriage section I: Lokpanta-Umuahia in Abia	4,000,000,000.00	March 2018
Rehabilitation of Enugu-Port Harcourt dual carriage sectionII Umuahia tower-Aba township rail	3,750,000,000.00	December 2017
Rehabilitation of Enugu-Port Harcourt road section III: Enugu-Lokpanta	3,750,000,000.00	December 2017
Rehabilitation of Enugu-Port Harcourt road section IV: Aba-Port Harcourt in Rivers	3,500,000,000.00	July 2018
Dualisation of Yenegwe road junction-Kolo-Otuoke-Bayelsa palm in Bayelsa	3,500,000,000.00	July 2018
Dualisation of Lokoja-Benin road: Obajana junction-Benin section II phase I: Okene-Auchi, Kogi/Edo states	3,000,000,000.00	December 2017
Dualisation of Lokoja-Benin road: Obajana junction-Benin section III phase I: Auchi-Ehor in Edo	3,166,666,666.67	June 2018
Dualisation of Lokoja-Benin road: Obajana junction-Benin section IV phase I: Ehor-Benin city, Edo state	3,500,000,000.00	December 2017
Reconstruction and asphalt overlay of Benin-Ofosu-	6,000,000,000.00	December 2017

PROJECT TITLE	AMOUNT IN NAIRA	ESTIMATED DELIVERY DATE
Ore-Ajebandele-Shagamu dual carriageway phase IV		
Reconstruction of outstanding section of sections of Benin-Ofusu-Ore-Ajebandele-Shagamu dual carriageway phase III	5,000,000,000.00	December 2017
Dualisation of Ibadan-Ilorin road. Section II: Oyo - Ogbomosho road in Oyo	5,666,666,666.67	December 2017
TOTAL	100,000,000,000.02	

Source: Bulletin of Nigeria Islamic capital market & The Cable, 2019

As can be seen from table 1, the amount and number of *Ijarah Sukūk* is increasing in Nigeria financial market. Now companies and government are exploiting an Islamic tool to finance their projects which is compliant with the *Shari'ah. Ijarah* shares are other kinds of Islamic bonds which have many similar characteristics to lease financing and hire-purchase arrangements. It involves a lessor (usually a financial institution) purchasing an asset, and renting it to a lessee for a specific time period at an agreed rental or receiving a share of the profits generated by the asset. There are two main types of lease under the *Ijarah* structure. The first involves a longer term lease which usually ends with the transfer of ownership of the asset to the lessee (*Ijara wa lqtina*), as in a modern finance lease. The second type of lease is for a shorter term and will usually end with the financial institution retaining ownership of the asset, in common with an operating lease. The rental income in this second type of lease will take into account wear and tear of the asset.

To comply with *Sharīah*, the leased assets must not be prohibited items (for example, machinery for the manufacturing of alcohol) and must be used in ways deemed lawful by *Sharīah*. The *Ijarah* allows the bank to earn profits by charging rentals on the asset leased to the customer instead of lending money and earning interest. In addition, *Ijarah Wa Iqtina* extends the concept of *Ijarah* to a hire and purchase agreement. Furthermore, any company intends to issue *Ijarah Sukūk* for 100 m, the company will sell one or some of its assets to a special purpose vehicle (SPV) for its need of money. The SPV will finance the company and buy the asset by issuing *Ijarah Sukūk* equal the amount of purchasing the asset (100 million). The investors will share the proportion of that asset as *Sukūk* holders. After the SPV buy the asset, it leases it back to the company for predetermined amount of money. The lease rental payments represent the periodical payments for the investors. At maturity, the SPV will sell the asset back to the company for the same amount plus the last payment. The investors will get their full amount of *Sukūk* payment and their principal of the *Ijarah Sukūk* (Central bank of Nigeria, 2020).

Sukūk products offer a vast scope of innovation and a large potential for the growth of Islamic finance. Notwithstanding, the development of this product face some challenges in Nigeria which are as follow:

i. Non-existence of appropriate secondary market mainly due to the lack of critical mass.
ii. Existence of complex bureaucratic administration for companies.
iii. Few market makers (*Sukūk* issuers).
iv. Pricing the secondary market issues - area of inefficiency and requires more transparency *Sukūk* market.
v. Limited awareness and flow of information.
vi. Lack and limited Facilitating matters related to issuing and ranking of *Sukūk* bonds and creation of rating agencies.
vii. Limitations in standardization of assets used in *Sukūk* and also evaluation process of these assets.
viii. Central bank assurance restrictions to act as guarantor for banks in the issuance process.

Conclusion and Recommendations

The market for *Sukūk* has grown tremendously in recent years at about 45 percent a year. *Sukūk* provides sovereign governments and corporations with access to the huge and growing Islamic liquidity pool, in addition to the conventional investor base. Financial experts estimate the current worth of *Sharīah*-compliant assets at almost one trillion U.S. dollars globally. In 2010 *Sukūk* issuances hit a record of US$47.78 billion if compared to the last five years; managing to surpass 2007 peak level by around 7% and 50% if compared to 2009. If this was to convey something, it would be the increasing confidence the global markets are regaining. Islamic Capital Markets have potential to reach several trillion dollars and in this market Nigeria should adopt and implement appropriate tools if she wants to play the pioneer role with the biggest Islamic financial market. Now Iran's securities and exchange organization has ratified *Murabahah Sukūk* as well to facilitate Islamic finance beside *Ijarah* and *Ijarah Sukūk* but it is essential to consider for better implementation and promotion of capital markets.

- It is necessary to study all other securities and provide appropriate situation for issuance of them.
- To create a competitive environment between monetary and financial markets, it is necessary that the current laws and regulations be revised and
- Taxation issues should be considered as one of the main challenges for development of *Sukūk* market.

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