

Impact of Sukuk (Islamic Bond) Finance on Infrastructural Development Financing in Nigeria

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ABSTRACT

The infrastructural gap in most of the African countries necessitate the need to find alternative means of financing such gap in other to meet their infrastructural development in such countries and Nigeria inclusive. Sukuk as an alternative means of infrastructural financing has been used in many countries including Nigeria, Malaysia and Indonesia for their infrastructural development. The main objective of the study was to examine the impact of Sukuk on infrastructural financing in Nigeria for the period 2013 to 2021. The data for the research was obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin: Public Finance and Debt Management Office. The estimation technique of the study was Robust Least Square. The variables of the study includes; Sukuk issued in the Nigeria from 2013 to 2021 and the capital expenditure for the period representing the infrastructural financing in the country. It was found that, Sukuk issued in the Nigeria have statistical significant impact on infrastructural financing for the period under review among others. It was recommended among others that, Federal Government of Nigeria could issue additional Sukuk and used the proceeds to finance infrastructural development in the country. Since it was found that, Sukuk issued has significant impact on infrastructural financing and it could improve the infrastructural development in the country.

KEYWORDS: Budget, Capital Expenditure, Infrastructural financing, Sukuk.

1. INTRODUCTION

The infrastructural gap in most of the developing countries of the world necessitated the need for alternative source of financing from government source to private sector intervention/contribution. This is because, government alone cannot fill the infrastructural gap in such countries. One of the option available in recent times is Sukuk financing in some financial market as used by some countries like Malaysia, Sudan, Bahrain etc. (Abdelkafi & Bedoni, 2016). According to Kusum and Silva (2014) some international organization such as: International Finance Corporation World Bank (IBRD), Islamic Development Bank, Gulf Investment Corporation and International Islamic Liquidity Management Corporation have issued Sukuk in different countries including; Dubai, Malaysia, USA, London, United Arab Emirate and Luxemburg. With respect to Sukuk and infrastructural development in Nigeria, Yunusa (2019) believed that Nigeria as an emerging economy has the potential to be among the 20 largest economies in the World. But, the deficiency in infrastructural facilities may not allow the opportunity if proper provisions of such infrastructural facilities has not been put in place using Sukuk and other means of financing infrastructure.

Moreover, according to Abdulkarim and Mahmoud (2019) investment in Sukuk Worldwide has increased from USD25.5 Billion to USD48.2 Billion between 2005-2007. This is an indication of the acceptability and used of the instrument globally. In another development, Abdullah *et al.* (2014) posits that, the Worldwide Sukuk issuance have increased from USD 1 Billion in 2001 to USD 136 Billion in 30 June, 2009. The infrastructural gap is obvious in almost all the developing countries in Africa and Nigeria in particular. That is why Yunusa (2019) indicated that, the growing population in Nigeria is one of the factor that lead to infrastructural gap in Nigeria and there is a need to find ways to bridge the existing gap. The issuance of Sukuk has become another alternative source of fund to finance developmental project in countries. For example, in Nigeria, the first Sukuk was issued by Osun state Government which is N60 Billion for the construction and rehabilitation some high school and middle school in the state. Federal Government of Nigeria issued N150 Billion Sukuk in 2020 to finance some developmental projects in the six geopolitical zones in the country.

The proceeds from the Sukuk issued is expected to be use in construction and rehabilitation of about 44 roads in the country. Consequently, the article aimed at examining the impact of Sukuk finance on the infrastructural financing in Nigeria. The study is empirical in nature that made use of quantitative data. The study is first of its kind, as most of the study on Sukuk in Nigeria was theoretical in nature. For example, the work of Waziri and Doma (2018) and Abdulkareem *et al.* (2020) were all theoretical in nature. Therefore, the present study used Sukuk issued in Nigeria as independent variable, capital expenditure representing infrastructural financing as dependent variable and rate of rental payment on Sukuk issued as control variable. The hypothesis of the study was that, there is insignificant impact of Sukuk finance on infrastructural financing in Nigeria.

2. LITERATURE REVIEW

There a number of researches on Sukuk finance as another alternative option for infrastructural financing in most of the Islamic countries and non-Islamic countries. In this section, various literature was reviewed. Abdelkafi and Bedovi (2016) conducted a study on challenges in infrastructural financing through Sukuk issuance. The main focus of the paper was to identify the reasons behind under development of Sukuk in financing infrastructural projects. The study was conceptual or theoretical in nature. The research found that, one of the problem or challenges of Sukuk financing is the problem of differentiating between the ownership of the constructed asset and the ownership of the land on which asset was constructed. Another challenge was the application or use of Sukuk in the context of conventional laws. In some countries, the existing laws do not favor Islamic finance. The issue of tax is another challenge of Sukuk financing, because, the underlying asset should be subjected to a tax whenever it ownership has been change. The study further recommended that, developing countries should develop regulatory framework that could attract private investors and enable them to understand their right and obligation during the project implementation. It was also recommended more innovative financing mechanism should be incorporated in the Sukuk issuance.

In Nigeria, Abdulkareem, *et al.* (2020) carried out a study on thematic review of Sukuk Ijara issued in Nigeria. An opportunity for economic development. The objective of the study was to clarify the concept of Sukuk Ijara and its opportunity for economic development of Nigeria. The paper provide evidence that, Sukuk Ijara is an alternative means of financing for rapid economic growth and has a potential to attract government and client to invest in the Sukuk. The authors mentioned that, Sukuk Ijara has emerged to be a different classical asset among the Islamic finance product in developing countries. The study used quantitative method of research design. The study concluded that, understanding and harmonization among religion leaders in the country would enhance the growth of Islamic finance and in particular Sukuk. This will makes it easier for another issuance of the Sukuk for infrastructural development.

Moreover, Abdullahi *et al.* (2014) investigated the risk in funding infrastructure project through Sukuk or Islamic bond. The objective of the study was to identify profile risk associated with funding infrastructure projects from the issuance of Sukuk. The paper was theoretical paper and only published journals were used. The study found that, there are risk that are associated with issuance of Sukuk which include: legal and regulatory risk, liquidity risk, market risk, credit and counter party risk, operational risk, institutional risk and capital risk. The study concluded that, when risk management is adopted in the Islamic capital market, investors may avoid losses attributed to the investment. In addition, Kusum and Silva (2014) carried out study on Sukuk markets: a proposed approach for development. The main aim of the study was to identify impending issues with regard to the development of Sukuk market globally among others. The research paper was theoretical in nature.

The research work provide some approaches in developing domestic Sukuk markets which includes; to have a functional money markets, efficient primary markets and securities-offering regime, robust and diversified investor base, market infrastructure, derivative market and hedging tools to support risk management and legal regulatory framework. In the case of accessing international Sukuk market, the potential Sukuk issues should consider awareness and knowledge of Sukuk, legal foundation, taxation, governance and obligor's credit rating. With regards to Nigerian context, Oladunjoye (2014) researched on Sukuk as a tool for infrastructural development in Nigeria. The main objective of the study was to examine the potentials for using Sukuk source of Islamic finance as a tool for capital raising and infrastructural development in Nigeria. The research was also theoretical and review theoretical issues related to Sukuk in Nigeria. Particularly, the issuance N60 Billion Sukuk by Osun state in Nigeria. The structure of Sukuk as a tool of Islamic finance and legal framework for the issuance of Sukuk in Nigeria was discussed and projected that, many Sukuk would be issued across traditional Islamic and non-Islamic countries in future.

Moreover, Abdulkareem and Mahmud (2019) conducted a study on infrastructure projects financing through Sukuk as an alternative to conventional bond financing. The objective of the study was to examine how countries used Sukuk finance for infrastructural development. The methodology used in the study was theoretical and as such no any data analysis was conducted. The paper differentiate between Sukuk and conventional bond. The study concluded that, Sukuk will fill the long-term infrastructural financing gap and will support sustainable infrastructural development. It was also concluded that, Sukuk has a potentially wider market when compared to the bond product. The capabilities of Sukuk will be important to serve as bridge between funding needs and infrastructure projects. In addition Ahmed (2018) presented a paper on infrastructure financing through Islamic finance in the Organization of Islamic Countries (OIC) member countries- part 2. The main aim of the paper was to identify different alternative source of Islamic finance for infrastructure development. Another objective of the study was to analyse the projects and challenges facing infrastructure financing using Islamic finance in selected OIC member countries.

The study examined five OIC countries which in cludes: Indonesia, Malaysia, Nigeria, Saudi Arabia and Sudan. Also, United Kingdom as non-OIC country was included. The study found that, percentage of investment in Sukuk in Indonesia was 9%, Malaysia was 13.9%, Nigeria was 6.8%, Saudi Arabia was 8.6% and Sudan 7% in 2018. The study discovered that, infrastructure needs and gaps are huge, long-term investment in projects are large with usually long gestation period and there is a need to have stable and supportive legal environment is need to mitigate risks and also attract investment. The study recommended that, there is need to identify a pipeline of innovative sustainable project that are essential for long-term economic growth. There is also a need to develop Shariah compliant contract templates for infrastructure project. The study recommended the establishment of a National Islamic Infrastructure Bank (NIIB).

However, Mohammed *et al.* (2015) conducted a study on enhancing cross-border connectivity: venturing into Islamic finance as a new source of infrastructure finance. The study aimed at studying how Malaysia used Public Private Partnership (PPP) for infrastructure development and how this has extended into Islamic finance. The research paper is conceptual in nature, the paper indicated that Malaysia issued a number of Sukuk for infrastructural development and these made Malaysia the leading global Sukuk issuer and also one of the leading Islamic financial hubs in the World. The study indicated that, Malaysia issued a number of Sukuk to financé its infrastructural development and concluded that, Islamic financing instruments such as Sukuk should not be used as financing tool for only Muslim countries. But, non-Muslim countries can also use Sukuk for their infrastructural financing. In countries like Indonesia, Nabilah and Hidayatullah (2017) researched on the potential of issuance of Sukuk region for infrastructure financing in special region of Yogyakarta, Indonesia. The objective of the study was to examine the overview in financing infrastructure in Yogyakarta, Indonesia. The study used qualitative research design and data were obtain from secondary data. The paper discovered that, Yogyakarta is ready to issue the regional Sukuk, because it is supported by a clear underlying stable economic and investment conditions and urgency of infrastructure development. It has been recommended that, local government must issue a Sukuk region for infrastructural financing to grow local economic with the all potential in special region of Yogyakarta.

Additionally, Abdullah (2013) conducted a research on Sukuk as an alternative source of funds for Nigerian government. The paper aim at identifying the feasibility and benefits of introduction of Sukuk in the Nigerian capital market. The study was conceptual in nature and used published articles as source of data for the study. The paper suggested that, Nigerian will benefit in terms of economic and strategic merits when using Sukuk as an alternative source of funding for government projects and combine with the conventional bond. The study recommended that, Nigeria should use Sukuk as use by Malaysia to achieve its major economic goals. The study recommended also that, Central Bank of Nigeria (CBN) should liaise with ministry of finance and Debt Management Office (DMO) so as to develop the needed infrastructures for the development of Sukuk in the Nigerian capital market.

Furthermore, Baita and Mustapha (2019) carried out a study on appraisal of economic benefit of Sukuk in financing budget deficits in Nigeria. The main objective of the study was to assess the economic benefit and significance of Sukuk in financing budget deficit in Nigeria. In terms methodology, the research use secondary method of data collection and content and trends analysis were used to analyse the data. The variable of the study include budget deficit and budget deficit as a percentage of real GDP. The study showed that, Nigerian experienced budget deficit for number of years. It was against this background that, Sukuk as an alternative means of finance can be an alternative source of bridging the resource gap to finance the budget. It is recommended that, government should integrate Sukuk as part of its fiscal strategic policies.

Waziri and Doma (2018) researched on Islamic securities and Bonds (Sukuk) for infrastructure development in Nigeria: a comparative study of legal and institutional frameworks. The main objective of the paper was to find out whether the application of bond under conventional finance and Sukuk under Islamic Finance regulations are the same and achieve the same purpose of infrastructural development. The study used published journals in the study. The paper demonstrated that conventional bonds were structured on the basis of debt. Whereas, Sukuk are equity based instrument. The study concluded that, the use of both Sukuk and conventional bonds creates a business opportunities for the issuers. It was recommended that, there is a need to organize a capacity building for stakeholders on securitization through Securities and Exchange Commission (SEC) reform so as to reposition the market through issuance of Sukuk. Correspondingly, Yunusa (2019) conducted a study on Sukuk as a source of infrastructural finance in Nigeria. The objective of the paper was to identify the opportunities of using sukuk instrument for infrastructure finance in Nigeria. The research indicated that, there is an existing infrastructural gap in Nigeria as a result of growing population in the country as such, there is an urgent need to fill the infrastructural gap in the country.

The justification for the issuance of Sukuk in Nigeria is to fill the infrastructural gap in Nigeria. The study recommended that, an increase in the issuance and use of funding from Sukuk could solve the Nigerian's long-term infrastructural development. COMCEC (2018) researched on the role of Sukuk in Islamic Capital markets. The main objective of the study was to analyse role played by Sukuk in the development economy of countries of the World. The study use both survey and interview, which include; online survey, face to face meeting and field visit to obtain the data for the study. Five countries that were involve in the study are: UAE, Indonesia, Turkey and Hong Kong as developing countries, Malaysia as matured and Nigeria as at infancy. The three (3) main dimensions of Sukuk were identified: Sukuk structure, Sukuk issuance and Sukuk investments. The study found that, there was insignificant level of intermediation in capital market in Indonesia, Turkey and Nigeria. Also, there was lack of long-term Sukuk in UAE, Turkey, Nigeria and Hong Kong. The study recommended that, more effort should be put in place on improving the macroeconomic condition s of the country, such as high inflation and volatile local currency. It was recommended also that, government and GREs/SOEs to raise Sukuk with different maturities and more frequently, to provide the necessary benchmark yield curves that will enable Local Corporation to raise long-term financing.

Additionally, in Malaysia, Haron and Ibrahim (2012) conducted a study on the impact of Sukuk on corporate financing: Malaysia evidence. One of the objective of the study was to examine the impact of Sukuk on corporate financing in Malaysia. The data were collected from 790 non-financial firms in Malaysia for the period 2000-2009. Generalized Method of Moment (GMM) was used as the estimation techniques. The study found that, Sukuk account for more than half the private debt securities outstanding. It was found that, 72% of the total global Islamic bonds that have been issued were issued in Malaysia. The study concluded that, Sukuk has impacted on bond market development in Malaysia. Nevertheless, on the issue of theoretical research on Sukuk, Zulkhibri (2015) carried out a research on a synthesis of the theoretical and empirical research on Sukuk. The main objective of the research was to provide a critical review of the theoretical and empirical literature on Sukuk. The study discovered that, most literature on Sukuk are qualitative instate of quantitative in nature. The research found that, there are limited research on Sukuk was as a result of lack of historical, reliable and consistent data. As such, it was concluded that, the Sukuk market has grown but with significant existence gaps. The Sukuk market have problems such as lack of standardization and concerns over investor protection among others. It was recommended that, research on Sukuk should focus on main stream economics and finance.

2.1 Concept and Structure of Sukuk

The Sukuk is considered by some scholars as Islamic bond. Even though, some gave it real name as Sukuk. The word Sukuk was an Arabic word which means a certificate (Abdulkarim & Mahmoud, 2019). Also, Accounting and Auditing Organisation for Islamic Financial Institution (AAOIFI) (2010) defines Sukuk as certificates of equal value representing undivided shares in ownership of tangible assets usufruct and service or (in the ownership of) the assets of particular project or special investment activity. Sukuk is a certificate of investment, including ownership in underlying asset that claims in the pool of asset. Furthermore, According to Securities Commission of Malaysia (2004) define Sukuk as a document or certificate which represent the value of an assets. The Sukuk market was first in Malaysia in 1990. But after that year there was no any additional issue by players or countries until 2001, where some institution participated. Some of the countries that issued Sukuk in 2001 are: Majlis Ugama Islam Singapore and Government of Bahrain. As the acceptance of the Sukuk have increase worldwide. This resulted into an increase in value Sukuk issued to USD47 Billion in 2007 from USD 27 Billion in 2005. The same level of increase was also noticed from USD 45 billion in 2011 to USD 118. Billion in 2014 (Abdulkareem & Mahmud, 2019).

2.2 Sukuk Issued Globally and Nigeria in particular

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The issuance of the financial instrument has been accepted in many countries of the world including Islamic and non-Islamic countries. This section will discuss the various issues based on countries. Between 2002 to 2015 about USD 73.1 billion infrastructural Sukuk have been issued by more than 10 different countries of the world. Out of the total amount Malaysia issued 61%, Saudi Arabia 30%, UAE, 7%, Indonesia 1%, Pakistan 1%, and others including Nigeria 0.2% (Musa, 2015). Considerably, according to Ahmed (2018) Saudi Arabian government raised almost USD19.2 billion internally in 2017 through bond and Sukuk to cover budgetary deficits. The global Sukuk issuance amounted to USD 116.7 billion that is from USD 87.9 billion as at 2017 and between 2016 to 2017 there was an increase of 32%, that is from USD 87.9 billion to USD 116.7 billion.

Coupled with the Nigerian context, Osun state government was first to Sukuk in Nigeria. The Osun Sukuk company Plc issued N60 billion Sukuk Al-ijarah purposely to fund the developmental projects in the state, which include: 20 high schools, 2 middle schools and 2 elementary schools in the state (Oladunjoye, 2014). The instrument was issued on 8th October, 2013 at the rate of 14.75% per annum at N1, 000 per unit and it's expected to mature on 8th October, 2020. In addition, FGN issued another N150 billion Ijara Sukuk 7 years at the rate of 11.20% and the issue price is N1, 000 per unit. The Ijara Sukuk was issued on 21 May, 2020 and it's expected to mature on 21 May, 2027. The fund realized or proceed will be used to finance roads projects in the country. The instrument was issued through the construction and rehabilitation of FGN roads Sukuk Company 1 Plc. According to FGN (2020) the breakdown of the proceeds from the Sukuk issue is expected to be use in the six geo-political zones: North Central: Dualisation of Suleja-Minna road phase II (N2.5 billion), Abuja-Abaji road (N500 million), Abuja-Lokoja road section IV (2.5 billion), Dualisation of Obajana junction to Benin phase2:section 1 (N3.5 billion), construction of Oju/loko-oweto bridge to link loko and Oweto (N5 billion), Rehabilitation of Bida-lanbata road in Niger state (N5 billion), Makurdi-Naka-Adoka-Ankpa in Benue state (N3 billion) and construction of Baro port to Gulu town in Niger state (N3 billion) and total of N25 billion for the zone. In the North east: road from the proceed of Sukuk include: Kano-Maiduguri road section II, Shuari-Azare (N4 billion), Kano-Maiduguri road section III, Azare-Patiskum (N3.5 billion), Kano-Maiduguri road section IV, Potiskum-Damaturu (N4 billion), Kano-Maiduguri section V, Damaturu-Maiduguri (N4 billion), Rehabilitation of Gwoza-Dombo-Goniri, Borno state (N3 billion), Mayo Belwa-Jada-Ganye Ganye-Tango road in Adamawa state(N3 billion), construction of IBI bridge (N2 billion), rehabilitation of Nguru-Gashua_bayamari road, section II (N1.5 billion) which is total of N25 billion, a total of N25 billion. With regards to North West, project involved: Kano- Maiduguri road section I (N4.5 billion), Dualisation of Kano-Katsina road in Katsina State phase II (N3 billion), rehabilitation of Sokoto-Tambuwal-Jega-Kotagora-Makera section I (N5 billion) and rehabilitation of Ajingi-Jahun-Kafin Hausa road in Jigawa state (N2 billion) and also a total sum of N25 billion (FGN, 2020).

Moreover, in South-East, the proceeds is expected to be used to finance the following project rehabilitation of Enugu-Port Hart court dual carriage way section 1 (N5 billion), rehabilitation of Enugu-Port-hart court dual carriage way section II (N5.5 billion), rehabilitation of Enugu-Port-hart court road section III (N5 billion), rehabilitation of old Enugu-Onisha road (N3 billion) and also a total of N25 billion for the zone. In the South-South, the project include: dualisation of Obajana junction to Benin phase II: section II (N4 billion), Dualisation of Obajana junction to Benin phase II: section III (?? Billion), Dualisation of Enugu-Port Harcourt road section IV (N3 billion), dualisation of Yenequa road junction-kolo-Otuake-Bayelsa Palm (N2 billion), construction of IKom bridge in Cross-river state (N2 billion), rehabilitation of Odukpani-Ituikot Ekpene road in cross-river state section I (N2 billion), dualisation of Sapele-Ewu road: section I Delta state (N1.5 billion). Dualisation of Sapele-Ewu road: section II Delta state (N1.5 billion) and rehabilitation of Alesi-Ugep (Iyamoyungep) section in

Cross-river state (N1.5 billion) and a total of N25 billion. With respect to South West, the project to be finance from the proceed of the Sukuk issued include: reconstruction of the outstanding section of Benin-Ofosu-Ore-Ajebandele Shagamu express way phase III (N4 billion), payment of strengthening and asphalt overlay of Ajebande-IjebuOde-Shagamu road in Ogun state (N4.5 billion), dualisation of Ibadan-Ilorin section II in Oyon state (N5 billion), rehabilitation and expansion of Lagos Badagry express way in Lagos state (N4.5 billion), rehabilitation of the outer Marina road in Lagos state (N3.5 billion) and Addendum III to dualisation of Lagos-Otta road in Lagos state (N3 billion) and the total is N25 billion.

Consequently, with estimated value of N150 billion to be spend on road construction and rehabilitation projects in the six geopolitical roads, it is expected that, it will open completion of the projects, the life of the citizens could be improved and economic and social activities could also be improve. This will translate into economic and social development in the country. But, this could only be achieved, if there are adequate implementation and supervision of the projects which may lead to the timely completion of the projects

3. METHODOLOGY

The research design for this study was quantitative research design that made use of secondary data from CBN statistical bulletin: Public finance (2019) for the period 2013 to 2021 and also Debt Management Office (DMO). The justification for the period was to cover the period that Sukuk was issued in the country. The estimation technique of the study was Robust Least Square (RLS). The study is to test empirically the impact of Sukuk finance on infrastructural financing in Nigeria. The previous studies used only theoretical research on the Sukuk. For example, Abdulkareem and Mahmud (2019), Abdllahi (2013) and Waziri and Doma (2018). Therefore, this research is expected to add to the body of knowledge in terms of methodology by using empirical research.

3.2 Model Specification

The model specification of the study is stated below, this is to guide the study;

$$SI = f (ISF + RRP + ei) \dots\dots\dots i$$

$$SI = (B_o + B_1ISF + B_2RRP + ei) \dots\dots\dots ii$$

$$\log SI = (B_o + B_1 \log ISF + B_2 \log RRP + ei) \dots\dots\dots iii$$

SI= Sukuk Issued
 ISF= Infrastructural financing
 RRP= Rate of rental payment
 Ei= error term

3.3 Measurement of the variables

Variable	Measurement	Previous Author (s)
Sukuk Issued	This is the total value of the Sukuk Ijara issued in Billion Naira in Nigeria.	Baita and Mustapha, 2019, DMO, 2020.
Infrastructural Financing	Total amount of capital expenditure in the annual budget of Nigeria.	Onyekwena <i>et al.</i> 2016.
Rate of rental payment	This is the percentage of rate of rental payment on the Sukuk issued per annum.	FGN, 2020

4. ANALYSIS AND DISCUSSION

The study tested some assumption of regression. Since the Robust Least Square was the estimation technique of the study.

Correlation

This is one of the assumption of regression. The variables that are going to be sue in any regression model should be correlated. From table 2 Correlation, the correlation between ISF and IS is 0.761. Between ISF and RRP is -0.241 and between SI and RRP is -0.492 which indicates a negative relationship. The variables were correlated, as such can be used in a regression model (Gujjirati 2004, Heir, *et al.* 2019, Pallant, 2011).

Table 2: Correlation

	LCAPITAL_B UDRGET	LSUKUK_ISS UED	_OF_RENTAL _PAYMENT
LCAPITAL_B UDRGET	1.000000		
LSUKUK_ISS UED	0.760884	1.000000	
_OF_RENTAL _PAYMENT	-0.240737	-0.492465	1.000000

Multicolnearity

The Multicolnearity test has been conducted using Variance Inflation Factor (VIF). From table 3, the computed centered VIF for SI is 1.409 and RRP is 1.409 which were all less than 10 and implies that, there was no multicolnearity in the variables as recommended by (Gujirati 2004 & Pallant, 2011).

Table 3: Multicolnearity

Variance Inflation Factors
Sample: 2013 2021
Included observations: 9

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LSUKUK_ISSUED	0.197157	6687.979	1.409342
L_OF_RENTAL_PAY MENT	1.295301	493.7974	1.409342
C	170.9471	9135.739	NA

Regression Result

Robust Least Square (RLS) was used as the estimation technique of the study. This is because the research was on Sukuk and infrastructural financing in Nigeria. From table 4, the calculated R-square is 0.4927, meaning that, Sukuk financing explained about 40.27% of the variability of infrastructural financing in Nigeria for the period under review. While the remaining 59.73% of the variance is explained by other variables that are not included in the model and this indicate the fitness of the model. The calculated P value is 0.000 which less than 0.05 and shows a statistical significant impact of Sukuk financing on infrastructural financing in Nigeria for period under consideration. Therefore, the study found that, there is significant impact of Sukuk financing on the infrastructural financing in Nigeria. The Sukuk has positive impact on infrastructural financing because the coefficient value is 1.087, implying that for unit increase in Sukuk financing could lead to increase in infrastructural financing increase by 1.087.

Table 4: Regression Result

Dependent Variable: LCAPITAL_BUDGET
Method: Robust Least Squares
Sample: 2013 2021
Included observations: 9
Method: M-estimation
M settings: weight=Bisquare, tuning=4.685, scale=MAD (median centered)
Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
LSUKUK_ISSUED	1.081712	0.040561	26.66897	0.0000
_OF_RENTAL_PAYMEN T	0.043032	0.069676	0.617603	0.5368
Robust Statistics				
R-squared	0.492676	Adjusted R-squared	0.420202	
Rw-squared	0.605766	Adjust Rw-squared	0.605766	
Akaike info criterion	11.87257	Schwarz criterion	12.71434	
Deviance	0.924188	Scale	0.333289	
Rn-squared statistic	38114.22	Prob(Rn-squared stat.)	0.000000	
Non-robust Statistics				
Mean dependent var	27.88972	S.D. dependent var	0.563791	
S.E. of regression	0.384600	Sum squared resid	1.035422	

Discussion

The main objective of the study was to examine the impact of Sukuk finance on the infrastructural financing in Nigeria for the period 2013 to 2021. The study found that, there was a statistical significant impact of Sukuk finance on the infrastructural financing in Nigeria. This is because, it was found that, the statistical p value was 0.0000 which is less than 0.05. The result also indicated that Sukuk financing has positive impact on infrastructural financing, meaning a unit increase in Sukuk financing could increase infrastructural financing in Nigeria. The result of the study is in agreement with Baita and Mustapha (2019) where the authors found that, Sukuk is an alternative means of financing that can alternative source of bridging the resource gap to finance budget. In addition, it was found that, there was a positive correlation between Sukuk issued and infrastructural financing in Nigeria. This is because the correlation the variables is 0.761.

5. CONCLUSION

The infrastructural gap in the country is much clear and the financial resources to fill the gap is highly needed. The research was on the impact of Sukuk finance on the infrastructural financing in Nigeria for the period 2013 to 2021. The finding of the research reveals that, there was a positive relationship between Sukuk issued and infrastructural financing in Nigeria. Therefore, it can be concluded that, there is a positive impact of Sukuk issued on infrastructural in Nigeria for the period under study. Additionally, it was found that, Sukuk financing has a significant impact on infrastructural financing in Nigeria. As such, it was concluded that, Sukuk financing issued in Nigeria has statistical significant impact on infrastructural financing in Nigeria. The conclusion of the study is in line with conclusion of Haron and Ibrahim (2012) where the authors concluded that, Sukuk finance has impact in bond market development in Malaysia.

6. RECOMMENDATION

The research paper recommended the following based on the findings and conclusion of the study. It was recommended that, FGN through the DMO can issue more Sukuk in the Country which would positively improve the infrastructural financing and in turn bring infrastructural development. This is because, it was found that, Sukuk finance has positive relationship with infrastructural financing. It is recommended that, FGN should increase the budgetary allocation to capital project (infrastructural financing) in the country and also used Sukuk financing proceed in financing infrastructural development in the country. This because, it was found that, Sukuk finance has statistical significant impact on infrastructural finance in the country for the period under study.

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