

# REBUILDING THE NATIONAL ECONOMY BY ISSUANCE OF THE FIRST MALAYSIA DIGITAL SUKUK (SUKUK PRIHATIN) AND ITS DISTRIBUTION THROUGH FINTECH SERVICES: A VIEW FROM THE PERSPECTIVE OF *MAQASID AL-SHARI'AH*

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## ABSTRACT

The main objective of this paper is to focus on rebuilding the national economic by issuance of Sukuk Prihatin and using FinTech services for its distribution from the perspective of *Maqasid Al-Shari'ah*. Qualitative method which based on journals articles, interviews the Islamic Banking Students & Lecturers, reading and any other related materials. The findings of this research show the use of FinTech in the distribution of Sukuk Prihatin in rebuilding the national economy is in line with the doctrine of *Maqasid Al-Shari'ah*. It can be concluded that the use of FinTech services in the distribution of Sukuk Prihatin in rebuilding the national economy is in line with the doctrines of preservation of religion (deen), preservation of life (nafs), preservation of intellect ('aql), preservation of lienage (nasl) and preservation of wealth (mal) emphasized in *Maqasid Al-Shari'ah*.

**Keywords:** *FinTech, Industry 4.0, Islamic Financial Institutions, Islamic Social Finance, Sukuk, Sukuk Prihatin, Islamic Capital Market.*

## 1. INTRODUCTION

The Covid-19 pandemic has caused many adverse implications for a country, including economic affairs. Most countries carry out curfews at home to curb the spread of the Covid-19 virus. Such actions have had great implications for the economy of a country and even the global economy. To meet this challenge, most countries have announced economic stimulus packages to ensure that their respective economies are still in good shape. In Malaysia, the government has announced the National Economic Recovery Plan (PENJANA) to rebuild the economy which has been running slowly when the government need to announce the Movement Control Order starting from 18<sup>th</sup> March 2020 due to the Covid-19 pandemic.

One of the initiatives taken under the PENJANA program to revive the national economy is with the issuance of Malaysia’s first digital sukuk, which is Sukuk Prihatin. The table below shows the features of Sukuk Prihatin which was first distributed digitally in Malaysia [1]:

**Table 1 Sukuk Prihatin Knowledge Pack**

NO	TERMS	SUKUK PRIHATIN
1	Issuer	Government of Malaysia
2	Instruments	Sukuk Prihatin (Scripless)
3	Utilisation of Proceeds	Proceeds from the Sukuk Prihatin will be channelled to thje Kumpulan Wang Covid-19 to finance measures announced in the economic stimulus packages and recovery plan to address the Covid-19 crisis.
4	Sukuk Size	Up to RM500 Million in nominal value
5	Subscription Period	18 <sup>th</sup> August to 17 <sup>th</sup> September 2020
6	Issue Date	22 <sup>nd</sup> September 2020
7	Islamic Principle	Commodity Murabahah (via Tawarruq)
8	Tenure/Maturity Date	The Sukuk Prihatin will have a maturity of two(2) years and will matured on 22 <sup>nd</sup> September 2022
9	Target Investor	Eligible Malaysian individuals and corporates
10	Profit Rate to Investor	2% per annum (fixed throughout the tenure)
11	Frequency of Profit Payments to Investors	Quarterly from the first issue date. Profit payment will be credited directly into the Sukukholder’s account by the Primary Distribution Bank.
12	Minimum and Maximum Amount of Subscriptions	Each application/subscription (initial or subsequent thereafter) amount is at least a minimum of RM500 and in multiples of RM100. There is no maximum subscription limit.

13	Redemption	Principal amount will be credited directly into Sukukholder's account on maturity date by the Primary Distribution Bank
14	Transferability and Assignability	The Sukuk Prihatin are non-tradable, non-transferable and non-assignable.
15	Option to Waive Principle on Maturity Date	Sukukholders may waive the principal amount due (in part or full) in maturity date, as a contribution to any Government trust account, approved by the Government.
16	Tax Treatment Accorded to Sukukholders	<p>(a) All profit from the Sukuk will be tax exempted.</p> <p>(b) For any principal amount waived (in full or in part) by the Eligible Buyer/Applicant on maturity date, the waived amount will be allowed as deduction of the Sukuk Prihatin is made.</p> <p>The above tax treatment of only applicable to the Eligible Buyer/Applicant and is not applicable to all Financial Institutions, Capital Markets and Services License holder carrying on the business of fund management under CMSA and Registered Trustee who acts on behalf of the Eligible Buyer/Applicant.</p>
17	Primary Distributions Bank	Malayan Banking Berhad ('Maybank')
18	Distribution Banks	Participating bank is listed herein
19	Distribution Channel	Offering is fully digital via Internet/Mobile Banking via JomPAY/DuitNow platform of the Distribution Banks
20	Governing Laws	Law of Malaysia

Source: Treasury of Malaysia (2020)

## 2. DISCUSSION

### FINANCIAL TECHNOLOGY (FINTECH) AND MAQASID AL-SHARI'AH[2]

Basically, the use of financial technology (FinTech) is considered as permissible (*mubah*) in Islam. This is based on the *fiqh* maxims (*Qawaid Fiqhiyyah*) which states "The originality of things is permissibility" (*Al- 'aslu fi al-ashyaa' al-ibahah*). It is considered permissible if the use does not contradict with the Shariah law itself. *Maqasid Al-Shariah* creates a balance in the use of information technology so that the usage is always on the balance sheet of goodness (*maslahah*) and avoid of any harm (*mafsadah*) either to individuals or communities, which based on the *Quran* and *Sunnah*.

Through the convenience of financial technology (FinTech), the general public can carry out daily activities such as online transaction of money, online payment for vehicle takaful, online transaction for investment activity and any financial transactions and communication easier and faster. However, in using financial technology, it is deemed necessary to observe the purposes or intentions (*qasd*) for each transaction activities so that there is no contradiction to the Shariah principles. Therefore, considerations by the promoting of benefit (*Jalb al-Maslahah*) should be based on essential objectives, namely necessities (*daruriyyah*), needs (*hajiyyah*) and embellishments (*tahsiniyyah*). From the necessities (*daruriyyah*), it should be preserving on five necessities (*daruriyyah al- khamsah*), such as religion (*din*), life (*nafs*), intellect (*'aql*), progeny (*nasl*) and wealth (*mal*).

At the first level, the use of financial technology is a necessities (*daruriyyah*), when the existing technology has been using as necessity in a daily market activity of community and highly benefits for a public interest. At this level, it is an obligatory to the government as a policy maker in transforming of financial technology activities to be in line with the *Shari'ah* compliant since the preservation of religion is an obligatory on every Muslim.

At the second level, the application of financial technology is a needs (*hajiyyah*), if without the use of financial technology, the daily life of human beings would be affected and causing difficulty for individuals or society in general. At this stage, financial technology has become an urgent requirement for the government to facilitate the daily affairs and activities of the community. This is in line with the objectives of the Shariah (*Maqasid Al-Shari'ah*), which seeking the benefit or repelling the harm (*jalb al-maslahah 'aw daf'al-madarrah*). This is also supported by the *fiqh* maxims (*qawa'id al-fiqhiyyah*) which states "Need is treated as necessities, whether of a public or private nature." (*Al-hajat: tunazzalu manzilatu al-darurah, 'ammah kanat aw khassah*). Therefore, when the application of financial technology becomes a need that is included in the current necessities of general or specific activity, then the development of the financial technology is permissible for the purpose of facilitating related matters.

At the third level, the use of financial technology is an embellishments (*tahsiniyyah*) when the advancement of financial technology is offered in various forms beyond the requirements in daily activities. For example, having a more expensive and high-tech smartphone or taking more expensive use depends on the intention and purpose which also considers the preservation of five elements, namely the preservation of religion, the preservation of life, the preservation of intellect, the preservation of the progeny and the preservation of the wealth.

The ease services of financial technology nowadays open space for every individual and society to make any financial transaction without borders. Therefore, a Muslim who believes in Allah SWT should take into account the boundaries embodied in the *Shari'ah* principles. Even though the use of such technology is the will, the need and the want of the present day, it is necessary to take account of the preservation of religion by not being involved with any prohibited by Allah SWT.

Preservation of religion is an obligatory when a development of financial technology facilities which led to commit a sin or immorality to Allah SWT. Therefore, the application of financial technology is necessities (*daruriyyah*) to control, so that it is not misused to cause the user to neglect the remembrance of Allah SWT including any prohibited element such as *riba*, *gharar* and *maysir* in financial technology.

### **THE NATIONAL BUDGET AND MAQASID AL-SHARI'AH**

A national budget announced must be in line with the objective of the *Shari'ah* (*Maqasid Al-Shari'ah*) towards seeking of benefit and preventing of harm (*jalb almanfa'ah wa daf 'al madarrah*) to ensure the justice and welfare of the people is achieved as well as increasing the well-being of the people[3]. This study shows that the *Maqasid Al-Shari'ah* is the best way to understand more deeply about Islam which is the mercy of world nature (*the blessings of lil alamin*). This is in line with the word of Allah Almighty, which means:

"We do not send you Muhammad but as a mercy to the world" (*Al-Anbiya* ': 107).

Therefore, the budget set by the government is a budget that needs to be in line with the objective of the *Shari'ah* (*Maqasid Al-Shari'ah*) which is benefit to the people [3] . In the case of PENJANA, it is also a national budget even though it is not an annual budget, it still needs approval from Parliament to be delivered to the people.

### **3. FINDINGS**

There are two main findings for this research paper, namely the (1) issuance of Sukuk Prihatin and (2) the use of FinTech services in its distribution.

**Table 2 Findings of the Study**

Item	Findings	View from the perspective of <i>Maqasid Al-Shari'ah</i>
Issuance of Sukuk Prihatin	<p>A statement from the Minister of Finance about the program during the announcement of Sukuk Prihatin stated that [4], [5] :</p> <p>“It is a shariah-compliant instrument based on the <i>Tawarruq</i> principle through the <i>Murabahah</i> Commodity arrangement”</p> <p>“The proceeds from the issuance of the sukuk will be used for national economic recovery measures”</p> <p>“The proceeds of Sukuk Prihatin will be channeled to the COVID-19 Fund for the implementation of economic recovery initiatives. These include increasing connectivity to rural schools, covering health expenses related to infectious diseases and financing micro SMEs especially women entrepreneurs”</p>	<p>The issuance of Sukuk Prihatin is in line with the doctrine of <i>Maqasid Al-Shari'ah</i> as it use the <i>Shari'ah</i> compliant contract which means in line with the preservation of religion (ad-din). It also gives benefit and preventing of harm for country economy which to ensure the justice and welfare of the people is achieved as well as increasing the well-being of the people.</p>
Use of FinTech in Sukuk Prihatin distribution	<p>Internet and mobile banking platform of the Distribution Banks via JomPAY or DuitNow[1].</p>	<p>The usage of FinTech services in issuance of Sukuk Prihatin is in line with the doctrine of <i>Maqasid Al-Shari'ah</i> as it use the tools that can help to achieve the welfare of the people as well as increasing the well-being of the people.</p>

#### 4. CONCLUSION

In conclusion, the issuance of Sukuk Prihatin is aimed to regenerating the country's economy. This means, the issuance of Sukuk Prihatin is to stimulate the economy so that it can be restored during and after the Movement Control Order. After the country's economy can be stimulated and regenerated after benefited from Sukuk Prihatin, many economic opportunities can be reopened for the good of all the people and avoid the country's economy continuing to collapse.

The use of FinTech application in the distribution of Sukuk Prihatin is seen as an appropriate step as it provides facilities for the public to subscribe to Sukuk Prihatin for investment purposes while helping to regenerate the national economy. As the first sukuk distributed by digital system in Malaysia, it will be the beginning of the next digital sukuk to be issued to contribute to the country's Islamic capital market. The issuance of Sukuk Prihatin and the usage of FinTech services in distributing it are in line with the doctrine of *Maqasid Al-Shari'ah*.

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