

Islamic Bonds: Indonesian Experience

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1. Introduction

The launching of *muḍārabah* bond, issued by PT. Indonesian Satellite Corporation Tbk in October 2002 is a spectacular step in Islamic finance in Indonesia. Until the day of issuance, the discussion of Islamic finance goes on within the boundaries of Islamic banking, since most Islamic finance products are practiced by Islamic banks, and in more limited portion, by insurances. Moreover, pros and cons of Islamic bond still persist amongst the practitioners and experts as to whether Islamic bond concept can be put into practice.

To add more surprise, arrangement for issuing the bond takes only three months, a relatively short time compared to its conventional counterpart, Indosat Bond II. Few are informed that Indosat is the third company which offered to issue Islamic bond, after two other organizations who were interested but abandoned their plans in the last minute. It is not known why they rejected the proposal. However, such a refusal is a typical response resulting from strong doubt, whether an Islamic instrument can be sold in the market and generate profit. The scepticism increases when the instrument is first of its kind, even among Islamic financial institutions.

Amidst the controversy about its Shari'ah compliance, more of *muḍārabah* based Islamic bonds are being issued. Four similar bonds have already been launched until midst of 2003, while others are waiting to be

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launched. There is also a suggestion that the government should consider issuing such bonds to enhance its public image.

There have been many efforts around the Islamic world to introduce bonds based on profit sharing principle. These efforts are driven mainly by two reasons: First, to provide an investment alternative for Islamic banks that, in general, have liquidity surplus. This excess liquidity problem has been so persistent that it creates a '*less profitability syndrome*' for the bank, which in turn reduces its competitiveness against their conventional competitors (Ahmed (1995)). No doubt, that non-competitiveness problem affects Islamic banks' performance lowering the return to their customers. Second reason to introduce Islamic bonds is to develop Islamic capital market. This purpose has two aims, namely providing Islamic instruments for investors who want to avoid interest-based instruments, and to mobilize fund for longer-term projects such as infrastructure financing.

In 1990, the Parliament in Jordan passed a bill entitled '*Muqāraḍah Act*' in which a bond might be issued based on *muqāraḍah* principle, another name for *muḍārabah* contract. However, this act could not come into practice. Islamic Fiqh Academy, Makkah, also had objections on it since there was a clause in the Act that allowed guarantee in favour of *sabibul māl*. A similar bond was issued by Tehran Municipality Board which was not a popular bond either, since it guarantees the investor's principal return. In Malaysia, *Caḡamas Muḍārabah Bond* was introduced as early as 1985 by a government-owned company. Apart from its successful attempt in providing money market instrument for Islamic banks in Malaysia, many see this bond as not purely Islamic, since it invests the fund into the sale of debt with discount, which becomes source of intense and continuing debate among the Islamic bankers and scholars as well.

2. Muḍārabah Bond; An Effort of Redefinition

The launching of Indosat Islamic Bond (the formal title being *Obligasi Syariah Muḍārabah Indosat 2002*) is followed by launching of similar Islamic bond in May 2003 by Berlian Laju Tanker, a shipping company; Bank Muamalat and Bank Syariah Mandiri, two Islamic full-fledged banks; Bank Bukopin, a conventional bank that has Islamic business unit in July 2003, and recently (August 2003) by Ciliandra Perkasa, a holding company for several palm-coconut-farming companies. All of these bonds are based on *muḍārabah* contract.

Indosat Islamic Bond put the investor as *sabib al-mal* and the issuer as *muḍārib*. The fund generated from this bond was intended to finance satellite

and multimedia business, under separate subsidiaries. It was changed later and allocated for working capital of the company after it was found that it is not legally possible to transfer revenue from subsidiaries to parent company other than earnings for the shares it owns. Profit for the bond hence is counted as proportional share of the holding company's revenue. In case of the shipping company, the fund is utilized for operating a ship leased by a government-owned oil company, from which the payment for bond profit is made.

Both Bank Muamalat and Bank Bukopin Islamic bonds mobilized fund for extending their *murabahah* financing. Profit paid to the bonds is derived from specified *murabahah* assets by each bank. In the case of palm oil company, fund is mobilized partly for the purpose of increasing ownership of parent company in its subsidiary and building palm-to-oil processing factory, while profit is paid with reference to the revenue from palm-(fruit and/or oil) sale contract of the subsidiary company to the parent company, or to other parties during a 5-year period ahead.

As suggested in Hakim (2002) the term '*muḍārabah* bond' indeed contains two words that have contradicting concepts to one another. *Muḍārabah* denotes a contract in which one party provides capital and the other provides expertise with profit pre-agreed between them and no guarantee -whether for profit or principal- is permitted as a condition.¹ On the other hand, bond -as commonly understood in financial terminology- refers to an interest-bearing certificate issued by a government or corporation, promising to pay interest and to repay a sum of money (the principal) at a specified date in the future.²

To our opinion, the contradicting concepts in '*muḍārabah* bond' are similar to what is now popularly accepted as 'Islamic bank'. In the beginning, most people felt odd with the term. Since the word 'bank' denotes practices that involve interest, something that is neither known nor accepted under Islamic law. However, as the time elapsed, and more people understood Islamic banking practices and products, such oddity gradually faded and is replaced by a discourse on details of the system, product, supervision, technology and others.

It is not certain whether the term '*muḍārabah* bond' will follow the case of the term 'Islamic bank' in acquiring recognition from the market. But it is certain that by issuing *muḍārabah* bond, the meaning of bond has now expanded. Some points are worth to note:

The word 'bond' now consists of, not only debt but also, investment relationship. It certainly breaks a long-held definition in the financial world. In fact the word 'bond' literally suggests any tie between/among parties who

are involved in a contract that defines right and duty to one another. And this tie does not always mean debt relationship. Similarly, the word 'bond' also means 'liability'. This meaning for the bond can be found in some occasions, like the one in a popular jargon among treasury dealers, "my word is my bond". The liability in this case refers to a responsibility to buy or sell a particular currency at pre-agreed rate, and does not mean paying a debt.

The word 'bond' now does not always involve interest practices as the main return for the fund. It may contain a profit from investment. On the other hand, the term investment in Islamic finance normally refers to a profit-loss sharing arrangement in which both parties share profit (also loss) based on prevailing condition in the project.

Attaching *muḍārabah* contract to bond causes the latter to lose other fundamental features. The 'bond' contract now does not necessarily have a guarantee for the fund put in the contract, since *muḍārabah* –according to majority of scholars– is non-guarantee contract.³ However, in reality, the market has been familiar with such non-guaranteed bonds, or at least, less-guaranteed ones, such as what is called as "junk bond". The term is used because such bonds receive lower quality rating from different rating agencies. However, it is not fair to equalize *muḍārabah* bond with such bonds since the rating depends on many factors⁴ and the nature of both contracts is different. It is sufficient to say that development in the market alone has already stretched the meaning of the bond in the context of providing guarantee.

To avoid this complication, there are those who suggest the use of "certificate" instead of "bond", such as those used in other countries like Bahrain and Sudan. The market in these countries is now accustomed with many Islamic instruments like *istiṣnā'* certificate, *salam certificate* and *mushārahah certificate*. For Indonesian case, there is a plausible reason why the term 'bond' is used, instead of 'certificate'. It has been known that the financial authority has abandoned the use of "certificate" since it has an ambiguous meaning. It used to denote certain investment paper issued by a certain company. However, as different instruments developed in the market, and investment in turn can be classified into shares and bonds, or even participation unit of a mutual fund, the specific denotation of 'certificate' cannot any longer be maintained.

There is another suggestion to use other term like '*ṣukūk*', the one recently issued in Malaysia for *ijārah* contract. However, the term will increase more complication in Indonesian market that has not yet even been familiar with existing basic Islamic banking products. It might be introduced in the future, if the market is well prepared and sufficiently educated.

2.1 Multi Impacts of *Muḍārabah* Bond

There are several distinct implications of recent issuance of *Muḍārabah* bond.

2.1.1 Risk Assessment

To apply *muḍārabah* contract into a bond raises an important and critical issue, namely risk. Since *muḍārabah* contract puts aside any possibility of guarantee -both for its profit and principal- from the issuer as *muḍārib*, *muḍārabah* bond is seen as more risky than its conventional counterpart. Even Malaysian investment bankers have warned of uncertainty in *muḍārabah* transaction on which this obligation is based. According to them, this will be a negative point in selling the instruments to the investor who will invest their fund. However, the positive sentiment that was displayed during the issuance, overcame such worries. The bond was oversubscribed and many parties bought it. Indeed it is the beginning of the story, not its end. The performance of the issuer, in term of its business and finance, along with national economic condition will be the prime factor for evaluating the risk.

2.1.2 The Method of Evaluation

A conventional bond might be easier to price by the investors. Normally a bond price will be calculated based on its rate of interest and periodical return. If a bond interest is paid annually along with its principal that has a certain-year maturity then the future value of the bond will be calculated using the formula

$$FV = A(1 + \alpha)^n$$

Where FV is Future Value of a bond, A is principal repayment, α is rate of interest and n is time period.⁵

This formula cannot be applied in *muḍārabah* bond since it does not involve interest. Therefore, a new formula should be assigned to assess the future value of the bond.

$$FV = A + \sum_1^m \beta_m \quad m = 1, 2, 3, \dots$$

$$\text{and } \beta_m = \pi(P) \quad 0 < \pi < 1.$$

Where β_m is sum of total allocated profit (π) generated for the bond from total profit of the project (P), and paid periodically. Theoretically the nominal result of π (P) can be a negative number if P is negative, which brings about a

negative impact on A. This situation might occur when the project incurs a loss.

Furthermore, since the end value of π depends on P, while P is generated from operation that depends on many factors, then FV is influenced by other factors such as cost, sales, and even economic and political situation. We may write in general

$$f(FV) = f(P, \beta, \lambda, \gamma, \eta \dots)$$

Alternatively, the ‘uncertain’ nature of the π then brings similarity of the bond evaluation to the evaluation of unit trust (mutual fund) with its Net Asset Value assessment method.

2.1.3 Accounting Implication

Since the bond is based on *muḍārabah* contract, it has certainly an accounting implication. If one refers to conventional accounting standard, any fund raised by a bond should be recognized as one of liability component. To be exact, it will be placed as a secondary capital that is known as “Tier II”. However, Islamic accounting treats *muḍārabah* fund differently. Since this fund is categorized as “unrestricted investment” fund, it should be treated as capital that is exposed to profit-loss sharing principle.⁶

The treatment however, brings another issue to resolve. If *muḍārabah* fund raised from a bond is recognized as capital, is it similar to the capital that is poured in by the shareholders and known as the “Tier I”? It seems that AAOIFI as international accounting standard organization for Islamic financial institution should create different categories of ‘capital’ as a result of different transactions. In Islamic classic business law, besides *muḍārabah* ‘capital’, there are also *mushārahah* ‘capital’, and *salam* ‘capital’. However, as far as fund from *muḍārabah* bond is concerned, it is sufficient to say that it is treated as ‘temporary capital’ that differs from ‘permanent capital’ owned by shareholders.

From the investors’ perspective, a profit generated from *muḍārabah* bond should also be accounted in different ways. Since it involves ‘uncertainty’, both in availability and the amount, they cannot book such a profit on accrual basis for certain periods in advance. They can do so only by *expectation*. The cumulative real value may be obtained at the end of an accounting period, and of course at maturity date. This might include many adjustments in their entries, for the real profit may differ to what is expected. However, in this case conventional accounting may also apply for the cases where unperformed business occurs.

2.1.4 Political Implication

Some analysts see the issuance of *muḍārabah* bond as the dawn of a domestic fund raising, and another milestone in building a more independent stance against foreign sources such as the International Monetary Fund (IMF) or World Bank. This idea might be too early to discuss. However, it may work if there is a clear political will from the authority to undertake the suggestion, especially in developing and exploring new Islamic instruments. These instruments have proven to be successful elsewhere to raise domestic funds in order to finance different projects, for short- and long-term. Two factors are identified behind this success: First, in a Muslim-majority country it is related closely with public tradition of sharing, a tenet that always stressed out in Islamic business ethics. This tradition nowadays also takes gradually a greater influence in ‘capitalistic’ society. On the other hand, the instruments are based on Islamic business transactions that are more or less familiar to their *‘ulamā* (Islamic scholars). Second, accountability and transparency performed by the management, both at state and private institutions, give confidence to the people in trusting the fund with them.

3. Shari‘ah Issues

The issuance of *muḍārabah* bonds is based on two *fatwās* issued by National Shari‘ah Board.⁷ First *fatwā*, considered as “umbrella” for other *fatwās* to be issued later on, consist of possibility of bond issuance on the basis of different Islamic legal contracts, whether on profit-loss sharing basis such as *muḍārabah* and *mushārahah*, or on fixed income basis like sale (*murābahah*, *salām*, and *istiṣnā‘*) and lease (*ijārah* and *ijārah wa al-iqtinā‘/ijārah al-muntabiah bay‘ al-tamlīk*). Second *fatwā* refers in particular to the issuance of bond on the basis of *muḍārabah* contract and its detailed operations.

To apply a *muḍārabah* contract in a bond certainly raises many issues from shari‘ah perspective. Many aspects of existing *muḍārabah* become source of questions. There are three issues that have become source of prolonged discussions.

(i) Revenue versus Profit Sharing:

Existing *muḍārabah* bond utilize revenue sharing as income distribution method. This choice intensifies controversy as to which method is more suitable for Islamic financial institution. Although National Shari‘ah Board has issued a decree (*fatwā*) in favour of revenue sharing, there are many who see the decision is inappropriate.

It is a majority opinion that the income distributed to the parties in *mudārabah* contract is profit, which is defined as revenue that has been reduced by 'normal' costs. However, almost no one agrees what constitute 'normal cost' since there is a tendency that one party will exaggerate the cost, while the other does the opposite. Two popular schools of thought are known to have the opposite opinion on this matter. The Hanafite scholars argue in favour of allowing the *mudārib* using part of the capital as the cost, while Shafiite scholars go against the opinion.⁸ Both schools of thought in fact discussed what is presently known as *gross* and *net profit*. Revenue is something else. From accounting point of view, its position is in the top of income statement, even higher than gross profit. However, Shafiite opinion, in the extreme case, infers also the meaning of revenue.

It is interesting to note the reason why the National Shari'ah Board choose revenue sharing as income distribution method. Before the decree is issued several empirical simulations were undertaken based on data of income distributed for customers' deposit in some Islamic banks. It was found that if profit-sharing method is used as income distribution, the profit rate in Islamic banks is far lower than the interest rate paid to conventional banks deposit. In other word, Islamic banks are still less competitive in term of profit. It was from the Islamic banks discretion the revenue sharing is then suggested to be the income distribution method. This method is chosen with reservation: If some time in the future, Islamic banks have been more competitive, there is no reason any longer to stick on revenue sharing method, and therefore they should switch into profit sharing. This temporary nature of the *fatwa* is not known to many, since it is not literally written on.⁹

(ii) First Quarter Profit:

According to one clause in existing *mudārabah* bond contract, investors are entitled to take profit in every quarter. This means that if it is issued in October 2002, or the 4th quarter of the year, then the investors will have their first profit in January 2003. Given the condition that a quarterly report can only be published at the end of January, (or in this case, in the second quarter) then the first quarter profit will only be paid at the end of second quarter, or at the end of March 2003.

The shari'ah issue comes up when the issuer insists on paying the profit at the beginning of January. This effort is apparently based on the desire of the management to keep goodwill of their bond in the market. The question is from where the issuer will pay the profit, while the fund has been used just only within three months? And at what rate will be the payment? The answer for this proposal is that the management may do so from its own fund as a

loan (*qard*) with a condition that the fund must come from a *halāl* source, and at the rate calculated from the real income in which the *muḍārabah* fund is utilized. The latter is conditioned as to avoid the issuer might take benchmark from money market which is known as interest-based institution.

(iii) Guarantee:

Although *muḍārabah* contract prescribes no guarantee in all forms, many who are unaware that there is an exception to this iron-like rule, namely when the *muḍārib* breaches any clause in the contract. This issue also comes up for the case of *muḍārabah* bond. After a long research of Islamic classical textbooks and comparing them with modern financial techniques, it was found that a guarantee may be asked from the *muḍārib* (the issuer in the case of *muḍārabah* bond) in the form of fund or property belong to him, if he is proved to breach the contract. However, in the case of the issuer of *Muḍārabah* bond, it is sufficient to issue letter of guarantee stating the above undertaking.

(iv) Secondary Market:

Muḍārabah is an investment contract. Once contract is concluded and business is undertaken, it causes the ownership of *muḍārabah* asset (*māl*) by *sahib al-mal*.¹⁰ If this principle is applied in *muḍārabah* bond, the investor as *sahib al-mal* owns the *muḍārabah* asset represented in the form of bond. According to Islamic law, an asset (*māl*) can be utilized (*taṣarruḥ*) by its owner by his will. He may sell at a certain price that might differ with the nominal price (due to market perception on the asset), or he may keep it as his wealth.¹¹ This view is stated to answer the questions forwarded in many occasions whether *muḍārabah* bond can be traded in secondary market. These questions might arise as a result of old conception that bond is a debt instrument and hence its sale might fall into the law of controversial *bay' al-dayn*. To avoid such a misconception, it is necessary to switch into a redefinition of bond itself as already discussed in Part II of this paper.

4. Suggested Islamic Bonds and its Constraints

Muḍārabah bond is one type of Islamic capital market instrument that has already been developed successfully. A chance to develop other instruments now has opened up. If similar method is applied in developing Islamic instruments, (i.e. putting Islamic transaction mode into bond-type instrument), there are some types of bond waiting to be explored by concerned parties.

(i) *Mushārah* Bond

The idea of *mushārah* bond is similar to what is applied in *muḍārahah* bond, except that the issuer participates in providing fund for investment. However, it should be explored more in details since there are certain regulations that might hinder an issuer to buy back the bond, or to combine his own capital with the one mobilized through public offering.

(ii) *Ijārah* Bond

In *ijārah* type bond, an issuer should have an asset that can be sold to the investors. The investors, whether directly or through an agent will lease him for a certain period. The lease contract may or may not consist of an option that the issuer can buy back the asset after the lease period ends. The investors can sell this asset-backed bond to the market.

The constraint for this type of instrument would be on the taxation side. It may be noted that Malaysia provides a tax privilege for its Islamic instruments as shown in the issuance of *ijārah sukūk*; there is no such provision at present in Indonesia. The clear consequence for this kind of instrument would be double tax problem that causes disincentive both for investor and issuer as well.

(iii) Sales Bond

This bond based on sale transaction approved by Islamic law, such as *murābahah*, *salam* and *istiṣnā'*. To avoid sale of debt that might occur when the bond is sold in secondary market, a third party (government or other institutions) must be authorized to undertake the contracts.

The possible form of this instrument, other than stocks/shares of a company, in Indonesian context would be in the form of what is known as asset-based securities. Similar to what would be met by *ijārah* bond, this kind of instrument will likely be unwelcome by the market since its liability of double taxation. This case prevails even for conventional asset based securities

(iv) Rupiah versus Foreign Exchange

Muḍārahah bonds recently issued are Rupiah-based bonds. Many expect that similar bond will be issued in terms of foreign exchange.¹² This might help boost foreign capital to flock in domestic market, and hence increase its performance. In the future this idea should be considered if international investors are welcome to share domestic development. One excellent example of this bond is “*ijārah sukūk*” issued by a Malaysian company. These ‘*sukūk*’ are issued both in ringgit and dollar, and are the first of its kind in

Malaysia. The prime purpose of the issuance is to tap fund from Middle East that is anticipated to flow out from western countries caused by 11 September tragedy. However, even nominated in foreign exchange, the Middle East investors' demand for it could not be fully met due to domestic high demand for such instrument.

5. Concluding Remarks

Muḍārabah bond has put a breakthrough in Islamic capital market in Indonesia, amidst controversy over its applicability in conventional regulated market. For some, it is also test for its sustainability in the market, considering the experience of Islamic mutual funds that from 1997 have tried in vain to survive out of economic crisis. There are many who have great hopes from this bond, financially and ideologically.

A new way of fund mobilization has been introduced, and other ways are waiting to be explored. They are more familiar to and have more support from grassroots level, since the basis of these ways comes from their very tradition. It is only political will from the authority that may put these ways into actions, and benefits will follow. The others will come by themselves.

Appendix

List of Islamic Bonds Issued in Indonesia by September 2003

1 Obligasi Syariah <i>Muḍārabah</i> Indosat, 2003	
Year Issued	2002
Issuer	PT. Indosat Tbk
Underwriter	AAA Securities
Trustee	PT. Bank Rakyat Indonesia, Tbk
Contract	<i>Muḍārabah</i>
Period	5 years
Amount	Rp. 100 billion (approximately USD 11.76 million, with exchange rate 1USD = Rp.8,500. and additional Rp.25 billion or USD 2.94 million after public expose.
Purpose	Working Capital
Rating	Id AA (Stable Outlook)
Guarantee	No guarantee
2 Obligasi Syariah <i>Muḍārabah</i> Berlian Laju Tanker 2003	
Year Issued	2003
Issuer	PT. Berlian Laju Tanker, Tbk
Underwriter	AAA Securities
Trustee	PT. Bank Rakyat Indonesia, Tbk
Contract	<i>Muḍārabah</i>
Period	5 years
Amount	Rp.100 billion approximately equivalent to USD 11.76 million, with exchange rate 1USD = Rp.8,500)
Purpose	Operating Capital for shipping oil
Rating	Id BBB (Stable Outlook)
Guarantee	No guarantee
3 Obligasi Syariah <i>Muḍārabah</i> Bank Muamalat 2003	
Year Issued	2003
Issuer	PT. Bank Syariah Muamalat, Tbk
Underwriter	PT. Cipadana Sekuritas & PT. Mesana Investama
Trustee	PT. Bank Niaga Tbk.
Contract	<i>Muḍārabah</i>
Period	5 years
Amount	Rp.200 billion (approximately USD23.53 million, with exchange rate 1USD = Rp.8,500)
Purpose	<i>Murābahah</i> financing

Rating	Id BBB- (Stable outlook)
Guarantee	No guarantee
4 Obligasi Syariah <i>Muḍārabah</i> Bank Bukopin 2003	
Year Issued	2003
Issuer	PT. Bank Bukopin, Tbk
Underwriter	PT. AAA Securities
Trustee	PT. Bank Mandiri, Tbk
Contract	<i>Muḍārabah</i>
Period	5 years
Amount	Rp.50 billion equivalent to USD5.88 million, with exchange rate 1USD = Rp.8,500.
Purpose	<i>Murābahah</i> financing
Rating	Id BB (Stable outlook)
Guarantee	No guarantee
5 Obligasi Syariah <i>Muḍārabah</i> Ciliandra Perkasa 2003	
Year Issued	2003
Issuer	PT. Ciliandra Perkasa
Underwriter	PT. Indoprimer Securities
Trustee	PT. Bank Niaga, Tbk
Contract	<i>Muḍārabah</i>
Period	5 years
Amount	Rp.100 billion equivalent to USD11.76 million, with exchange rate 1USD = Rp.8,500.
Purpose	Increasing ownership in oil-processing company and building factory plant
Rating	Id BB (Stable Outlook)
Guarantee	Palm-oil farm, self provided

Notes

¹ Zuhaily (1984), p.854.

² Samuelson and Nordhaus (1985), p. 898; Dornbusch and Fischer (1987), p. 125.

³ Zuhaily (1984).

⁴ Pefindo, the Indonesia Securities Rating Agency, gives 'IdAA (Stable Outlook)' rating for Indosat *Muḍārabah* bond, similar to its conventional counterpart.

⁵ Schall, Lawrence D. and Haley, Charles W., *Introduction to Financial Management*, McGraw-Hill, New York, Fourth Edition, 1986.

⁶ AAOIFI, *Accounting and Auditing Standard for Islamic Financial Institutions*, Bahrain, 2001.

⁷ National Shari'ah Board is an autonomous body under Majelis Ulama Indonesia (Indonesian Council of Ulama). Formed in 1998 with two main functions: issuing

fatwās on different products and operations of Islamic financial institutions, and supervising the institutions in order to comply with Islamic Shari‘ah by posting Shari‘ah supervisory boards within the institutions. Dewan Syariah Nasional, *Himpunan Fātawā Dewan Syariah Nasional*, Jakarta, 2000. In the case of Islamic Bond, National Shari‘ah Board issued *Fatwā* No. 32/DSN-MUI/X/2002 on “Obligasi Syariah” (Islamic bond) and Fatwa No. 33/DSN-MUI/X/2002 on “Obligasi Syariah Mudharabah” (*Muḍārabah* Islamic bond).

⁸ Zuhaily (1984), pp.864-872.

⁹ Dewan Syariah Nasional, Fatwa No. 15/DSN-MUI/IX/2000 pp.87-90.

¹⁰ Zuhaily treated *muḍārabah* asset as trust (*wadia*) in the hand of *muḍārib*. See Zuhaily (1984).

¹¹ For more details on this subject, see Hassan (1997).

¹² Among others, statement by Governor of Bank Indonesia, *Republika* daily, 22nd August 2003.

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