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IDENTIFICATION OF THE ROLE OF SUKUK AMONG THE CORPORATIONS LOCATED IN THE SOUTH OF WEST AZERBAIJAN PROVINCE

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ABSTRACT

The purpose of this research is to identify the role of Sukuk among the corporations located in the south side of West Azerbaijan Province. The population is consisted of the entire firm managers and business activists of southern cities of West Azerbaijan as 313 people in three different sections of Iran's economy (Services, agriculture and industry). Data collection instrument is a questionnaire prepared by the author. The validity of questionnaires was approved by expert professors. Also the reliability of the questionnaire was determined via Cronbach's Alpha. For the purpose of data analysis the Kolmogorov-Smirnoff test, the unary sample t-test and the Wilcoxon test are applied. Results indicate that since the significance level for the agriculture sector was equal to one and for services and industries it was calculated as zero, Sukuk papers do not play any significant role in financing private firms. With respect to these results, persuading corporations towards implementation of Sukuk papers are advised.

Keywords: *Sukuk Papers, Financing, Economic Sectors*

INTRODUCTION

Increasing development and deployment of corporations and need for financing has put organization and firm managers under pressure. Nevertheless, capital market has supported its use of required resources, via offering shares and issuance of debt papers. These resources are implemented by financial managers of corporations for the purpose of growth and survival of the organization or corporation (Moosavian, 2013).

Long term, medium term and short term supporting of firm's financial resources in private sections is one of the issues that challenges almost every corporation. After a short time of running, private section firms and corporations will need financing in order to have more deployment, obtain more benefits and cover they risks and perform financial policies in order to reach important economic goals. As a result, the financing process is one of the most important financial economic issues (Salimifar, 2012).

Firms and corporations use classic debt markets in order to start their economic engines. In these corporations, most of regular financial sources are loans or debts or in other words, common stock, preferred stock and bonds. With respect to other methods of financing and as a result of high demands for deployment of debt market, it has not been yet proven effective in covering the liquidity flaws of corporations in long, medium and short terms especially in Islamic countries. On this basis, other methods of deploying corporation's financial knowledge should have had been provided in order to legitimate the applied financial instruments for financing and obtaining the goals of money and capital markets (Nazarpour, 2013).

In Islamic countries, unlike western countries or countries with capitalistic systems and lucre based financial systems; corporations implement legitimate sources which naturally lose their efficiency which leads to limited options for owners of cash capital in corporations and firms. Although there have been several suggestions for designing financial instruments for performing a monetary policy in cash market and financing in capital market which include Sukuk (converting assets into securities), in a way that it has also been paid attention to in non-Islamic countries (Moosavian, 2010).

Sukuk is known as a structure for converting assets into securities and also as a new instrument in cash and capital markets with the capability of application in the entire measurements of economy. In fact, Sukuk is an instrument for financial and economic growth especially in private sectors in terms of

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agriculture, industries, services, Oil and etc. and is able to propel the surplus of cash to several projects and performance of financial and monetary policies, macro and micro management of liquidity; and employment (Farahanifar, 2010).

Nowadays, the role of manager's decisions towards maturity of financial systems and its development and deployment on the inside and outside of the corporation leads to emergence of new financial instruments for required financing and also has grabbed the attention of managers and economic activists for a purposive and managed investment. Although, realization and correct way of implementing this instruments in different situations of money and capital markets can lead to significant impacts in responding to requirements and challenges of corporations.

In addition to showing the role of Sukuk in financing private corporations, results of this research are able to identify the possibility of using Islamic financial instruments with respect to their operational capability and economic justification, for financing and debt management and risk management in monetary and capital markets. They are also able to resolve some of difficulties resulting from economic evolutions, especially in Islamic countries.

For the first time, Sukuk was considered for financing in Iran and it was followed by several types of Sukuk in position of financing instruments in capital market, though it seems that this instrument has not been widely used in private firms and corporations. Another question that rises here is that "whether Sukuk is applied in financing of private corporations or not?"

MATERIALS AND METHODS

Method

The method of this research is descriptive-survey and in terms of purpose, it's an applicable research. Population of this research is consisted of managers, authorities and experts of financial affairs of private organizations, firms and corporations in three contexts of Services, Agriculture and industries of southern cities of West Azerbaijan Province. This population is selected as a result of having the highest shares in monitoring and defining financing related activities.

Among the 315 distributed questionnaires, 313 were usable. Sampling included the city of Mahabad with 108 samples (68 Services, 33 Agriculture and 7 industries), Piranshahr with 103 Samples (63 services, 34 agriculture and 6 industries) and Sardasht with 102 samples (57 services, 42 agriculture and 3 industries). Questionnaires were distributed among managers, authorities and experts of financial affairs in private corporations in three sections of Services (according to official state categorization includes insurance, tourism, medical services, training, transportation, marketing, retailing, wholesaling and banking), Agriculture (includes cropping, gardening, ranching, medical herbs, livestock, fishery and aquatics) and Industries (including fruit juicing, pastes, flour and sugar cube).

With respect to differences between our populations, three distinct questionnaires were designed according to the essence and their applied securities. Services questionnaire included 25 questions. Agriculture questionnaire include 14 questions and Industries questionnaire also included 24 questions. Sum of questions for these three sections was 63. Validity of questionnaires was determined by management expert professors.

Accordingly, the reliability of questionnaires for each of the three sections was calculated respectively as 0.91, 0.95 and 0.91 via Cronbach's alpha. For data analysis, the Kolmogorov-Smirnoff, Unary sample and Wilcoxon tests are applied.

Results

Inferential Analyses

Main variable: the main variable of this research is Sukuk securities in three sections of Services, agriculture and industries.

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Services Section

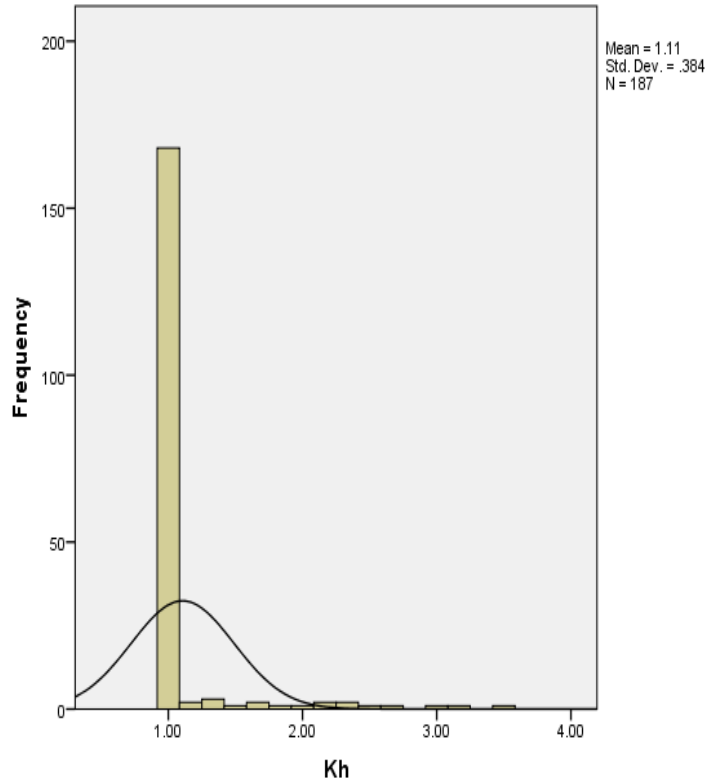


Diagram 1: Shows the histogram for Sukuk securities in services section

Agriculture Section

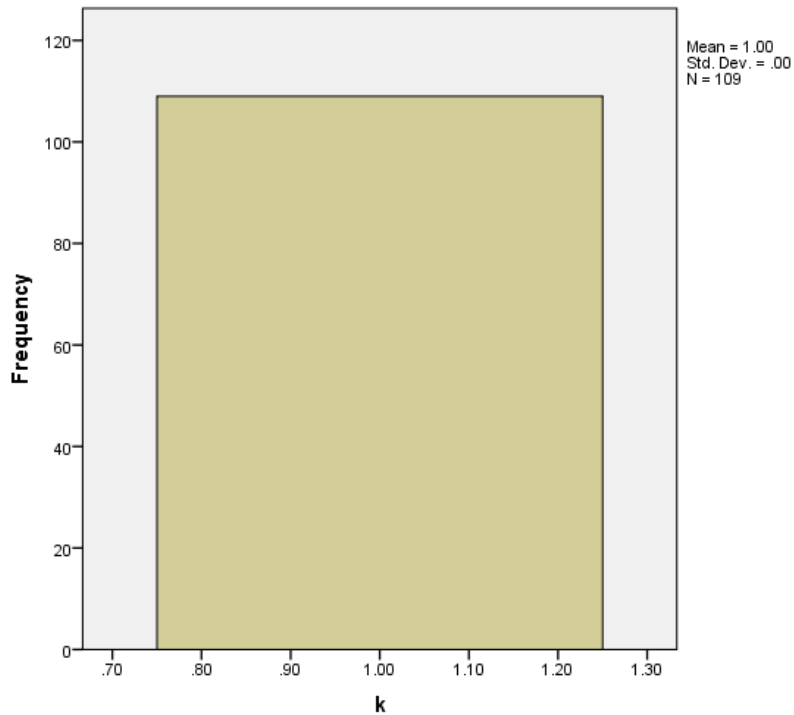


Diagram 2: Shows the histogram for Sukuk securities in agriculture section

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Industries Section

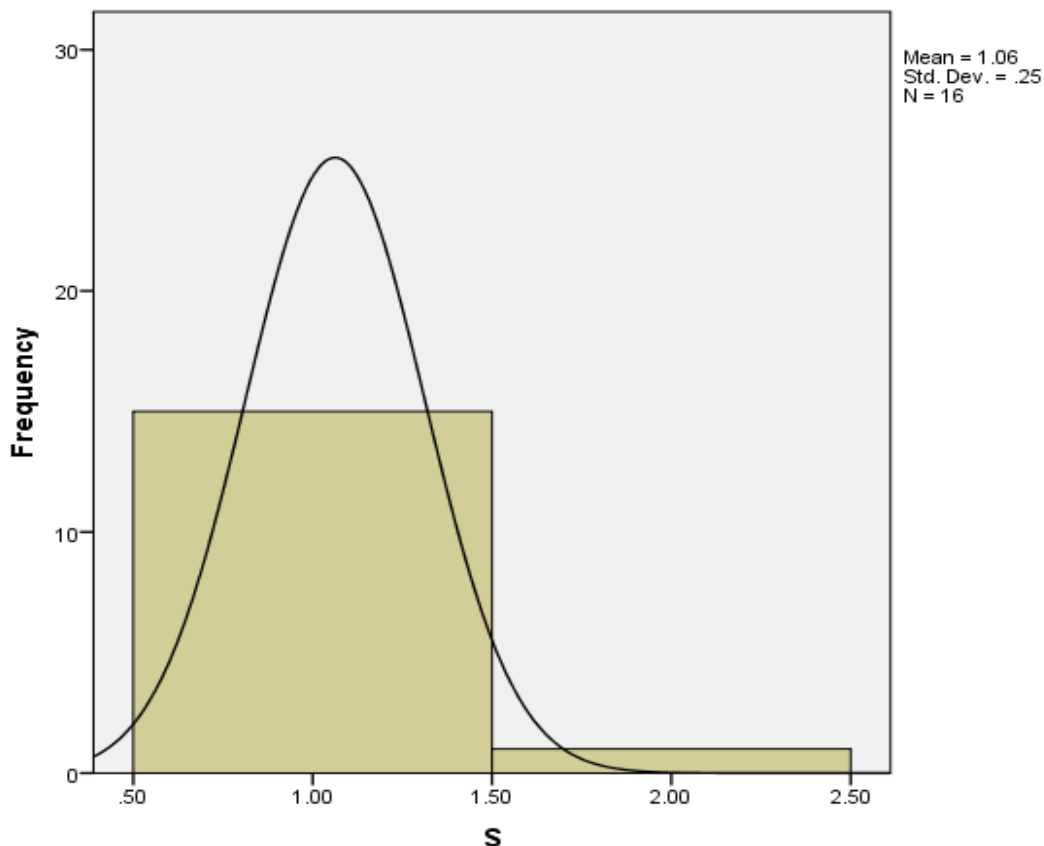


Diagram 3: Shows the histogram for Sukuk securities in industries section

Main hypothesis: Sukuk securities play a significant role in financing corporations located in West Azerbaijan.

with respect to performed analyses and via the SPSS software and Smirnof-Kolmogorov test and with further respect to 1.51 Z value of Smirnof-Kolmogorov test and significance level of 0.2 (smaller than 0.05), the first hypothesis is determined as an abnormal hypothesis and as a result, the unary sample Wilcoxon test is applied.

Table 1: Results of Smirnof-Kolmogorov test

		Sukuk
N		16
Normal Parameters ^{a,b}	Mean	1.1146
	Std. Deviation	.22903
Most Extreme Differences	Absolute	.379
	Positive	.379
	Negative	-.308
Kolmogorov-Smirnov Z		1.516
Asymp. Sig. (2-tailed)		.020

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Table 2: Unary sample Wilcoxon

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The median of age equals 3.000.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.
2	The median of agek equals 3.000.	One-Sample Wilcoxon Signed Rank Test	.014	Reject the null hypothesis.
3	The median of agesanat equals 3.000.	One-Sample Wilcoxon Signed Rank Test	.020	Reject the null hypothesis.
4	The median of Kh equals 3.000.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.
5	The median of sukuk equals 3.000.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

With respect to the results of aforementioned table in which the significance level of unary sample test is 0.00 (smaller than 0.05); it may be concluded that the H0 hypothesis is denied and H1 hypothesis is accepted. According to average value of Sukuk in this section which is equal to one and is smaller than 3, the hypothesis H1 is accepted.

First Subsidiary Hypothesis

With respect to performed analyses on the first hypothesis, since the sample size is equal to 109 individuals and is more than 30, we conclude that the population is normal and according to the average parameter which is equal to 1 in this section and is smaller than 3, the H1 hypothesis is accepted and it can be stated that Sukuk has no significant roles in financing.

Table 3: First subsidiary descriptive with one sample

	N	Mean	Std. Deviation	Std. Error Mean
k	109	1.0000	.00000 ^a	.00000

Second Subsidiary Hypothesis

With respect to performed analyses the second subsidiary hypothesis is proven normal and as a result the unary sample t-test is used. Average indices and standard deviations of Sukuk papers in terms of Services are shown in one-sample statistics table.

Table 4: Second subsidiary descriptive with unary sample t

	N	Mean	Std. Deviation	Std. Error Mean
Kh	187	1.1061	.38359	.02805

You can see the test results in one sample t-test table

Table 5: Second subsidiary one sample t

Test Value = 2						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Kh	-67.518	186	.000	-1.89394	-1.9493	-1.8386

If t_{ij} is equal to or larger than 3, the H0 hypothesis is accepted.

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With respect to the table, since t is equal to -67.518, and it is smaller than 3, the H1 hypothesis is accepted and it can be concluded that Sukuk has no role in financing.

Third Subsidiary Hypothesis

Sukuk plays a significant role in financing private industrial corporations.

With respect to performed analyses and Smirnof-Kolmogorov test, the third subsidiary hypothesis is proven abnormal and as a result, the Wilcoxon test is applied.

Table 6: Results of Smirnof-Kolmogorov test

		S
N		16
Normal Parameters ^{a,b}	Mean	1.0625
	Std. Deviation	.25000
Most Extreme Differences	Absolute	.536
	Positive	.536
	Negative	-.401
Test Statistic		.536
Asymp. Sig. (2-tailed)		.000 ^c

Table 7: Unary sample Wilcoxon

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of S occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
2	The median of S equals 3.000	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

With respect to the results of the aforementioned table in which the significance level for unary sample test is 0.000 (smaller than 0.5), it can be concluded that H0 hypothesis is denied and instead, the H1 hypothesis is accepted. As a result the average value of Sukuk parameter in this section is equal to 1 which is smaller than 3.

Also the number of individuals who answered the questionnaire is 16 individuals who were considered for assessment of third subsidiary hypothesis. The standard average is 3 and the observed standard average was 1. This implies that Sukuk securities are not influential in financing with almost 95% assurance.

Conclusion

The present research is concerned with role of Sukuk securities in private corporations in three sections of services, agriculture and industries in cities located in West Azerbaijan. As a result, the sectors of services, agriculture and industries which are also three main parts of economy of Iran require financial

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instruments for their growth and development. With respect to previous researches, Sukuk securities have led to significant evolutions in financial and economic issues and it leads to increased benefactions in monetary and capital markets. Considering the findings of this study, since this instrument is new and novice, corporations are not making much use of it which requires more information for people regarding benefactions and publishing method of these securities. Because people's implications especially in terms of these 3 sections declines their orientation towards debt securities and other types of regular securities and ultimately, aligns the wheels of Sukuk securities on the railway of Iran's economy.

For the purpose of analyzing the compatibility of the findings of this study with theoretical aspects of previous researches, first the role of Sukuk is identified in financing private corporations (services, agriculture and industries) in the southern cities of West Azerbaijan Province. Simultaneously, while the body of the study was being prepared, also the methods and instruments of research were determined. In services section, 188 individuals including 28 females and 160 males were selected as the sample. Also in agriculture section 109 individuals including 2 females and 107 males and in industries section, 16 male individuals were selected as the sample.

For the purpose of assessing the hypotheses, firstly the descriptive statistics were calculated. Among 188 respondents in services section, 85.1 percent were males and respectively 14.9 percent were females. In agriculture section, among the 109 respondents, approximately 1.8 percent was female and 98.2 percent were male and in industries section, 100 percent of respondents were male. In terms of education level, in services section 5.3 percent of participant held under diploma degrees, 18.6 percent held a diploma, 3.2 percent held a semi B.A, 31.9 percent held a B.A and 40.4 percent held M.A or higher degrees. Also in agriculture section, 44 percent of respondents held under diploma degrees, 24.8 percent held a diploma, 0.9 percent held a semi B.A, 24.8 percent held a B.A and 5.5 Percent held M.A or higher degrees. Finally in industries section, 31.25 percent of respondents held an under diploma degree, 37.5 percent held a diploma, 25 percent held a B.A and 6.25 percent held M.A or higher degrees.

For the first hypothesis, firstly the normality or abnormality was determined via SPSS software and Smirnov-Kolmogorov test which was equal to 1.51 with significance level of 0.02 (smaller than 0.05). We conclude that with respect to the two tailed significance level which is 0.000 and is smaller than 0.05, the H₀ hypothesis is denied and instead, the H₁ hypothesis is accepted. We ultimately concluded that Sukuk securities do not play any significant role in financing corporations located in the southern cities of west Azerbaijan Province. But in case of consistency of findings with the findings of previous researches the following papers could be pointed out: first paper, discussing the process of financing through issuance of Sukuk securities (Najafi, 2006). In this paper, after assessing the process of converting the assets to securities, the author has defined Sukuk and elaborated on its progress, benefits and required infrastructures for development in market and with respect to the fact that Sukuk securities are new, he has recommended a stable relation among investors, issuers, ranking institutes and other related units. Second paper, identifying and ranking the risks of Islamic financial instruments (Moosavian *et al.*, 2012), also identifies the most important Islamic financial instruments and has ranked them according to their associated risks. This ranking for two groups of financial investors and designer of securities is highly important. These two papers show that Sukuk can play a significant role in financing corporations, although with respect to the fact that these securities are newly introduced and corporations are unaware of these securities, the findings indicate a pale role of Sukuk securities in financing the private sectors. Also it can be said that not only currently these securities have no place in financing, but also individuals are still unfamiliar with the essence of these securities.

For the first hypothesis, firstly the normality or abnormality of data was determined through SPSS software which includes 109 people with respect to the population. Since it is more than 30, the population is normal. According to the average parameter or the standard average of 3 which is less than that, the H₀ hypothesis is declined and instead, the H₁ hypothesis is accepted. We also conclude that Sukuk has no role in financing agriculture sector. In terms of consistency of findings with the first subsidiary hypothesis (Sukuk securities play a role in financing agriculture sector) and theoretical aspects of previous researches, the following papers could be pointed out:

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Sharecropping and agriculture Sukuk; appropriate financial instruments for development in agriculture section (Moosavian, 2006) is concerned with discussing two types of financial instruments according to agriculture and sharecropping contracts. Individuals in agriculture sector are able to issue sharecropping and agriculture securities and collect monetary capital and respectively purchase or rent appropriate fields for sharecropping and agriculture as a representative of the investors. After that they rent the fields to farmers through securities and the obtained total benefactions are split among the investors. This ac, on one hand leads to injection of liquidity to agriculture section and on the other hand leads to improved and enhanced employment and deployment of Iran's financial markets. The second paper, Rent securities (Rent Sukuk) (Moosavian and Farahanifard, 2005) is concerned with discussing the rent contracts and shows that implementing such securities are beneficial for risk avoiding individual, still with respect to the fact that this phenomenon is new, it's not being used in corporations in agriculture sector.

For the second hypothesis, firstly the normality or abnormality was assessed with respect to large number of population; the unary sample t-test was used. The calculated significance level was equal to 0.000 and is smaller than 0.05. On this basis, with 95% assurance the H₀ hypothesis is denied and instead the H₁ hypothesis is accepted. Accordingly, the value of average parameter for Sukuk securities in services section is smaller than 3, so the second hypothesis is not accepted. In terms of consistency of the second subsidiary hypothesis with the theoretical aspects of previous researches two papers could be pointed out: Presented securities; an efficient instrument for developing the industry of tourism (Moosavian *et al.*, 2010) is concerned with providing an appropriate solution for providing sufficient capital for development of services sector and providing operative models in Iran. The results indicated that Sukuk securities are able to leave significant impacts on development and deployment of Islamic financial markets especially in Iran. The second paper, Designing participation Sukuk in order to transfer the risks of insurance companies to the capital market (Nazarpoor and Khazaei 2013) is concerned with introduction of insurance securities and has recommended insurance securities. Still the role of Sukuk in financing service providing corporations is concealed.

For the third hypothesis, firstly the normality or abnormality was determined via SPSS and Smirnov-Kolmogorov test which was equal to 0.000 (smaller than 0.05). As a result, the H₀ hypothesis is denied and instead, the H₁ hypothesis is accepted. Accordingly the average parameter value for Sukuk securities in this section is smaller than 3. On this basis, the third hypothesis is not accepted. In terms of consistency of the third hypothesis with theoretical aspects of previous researches, the following two papers could be pointed out:

Rent Sukuk, an efficient instrument for financing urban projects (Salimi *et al.*, 2011). This paper is concerned with providing operational samples of rent Sukuk and considers the Sukuk instruments as powerful economic instruments which could be applied and implemented in infrastructural projects. The second paper, Self securities, an instrument for financing high projects of Oil industries (Moosavian, 2011), is concerned with discussing and proving integrated contracts of standard parallel inducer as legitimate instruments with controlled risks and has designed inducer Sukuk securities. Like previous hypotheses, also in the section of industries, currently Sukuk has no role in financing the industrial section.

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