

# Description Of Ijareh Sukuk Rating Dimensions In Iranian Capital Market

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## Abstract

*The growing expansion of financing through the capital market and the introduction of guidelines for the establishment of credit rating agencies require the development of appropriate credit rating models for financial instruments, on the other hand, the capital financing market framework is centered around sukuk bond. According to the SEO, in the case of credit rating agencies, Sukuk rating will also be required.*

*On the basis of the above, the present study attempted to develop a credit rating model for Ijareh Sukuk as the most important and most advanced tool in financing the capital market, on the one hand, the problems with issuing a Ijareh Sukuk, including the mandatory existence of the guarantor, and, on the other hand, the transparency of the market will provide financing and accelerate the financing process through this market.*

*In the present study, after studying the theoretical foundations, including the rules and instructions issued by the supervisory authority of the capital market, theoretical and scientific principles regarding the rating of securities and institutions procedures in the field of credit rating Ijareh Sukuk, the basic The model of credit rating is then developed, then the dimensions, components and indexes of the model have been subjected to expert opinion using the Delphi research method. Finally, based on the received comments, the final framework of the Ijareh Sukuk rating system was developed on Iran's capital market.*

Keywords: Ijareh Sukuk, Credit Rating, Classic Delphi, Fuzzy Delphi

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## Introduction

One of the innovations of the last decade in the field of Islamic monetary and financial discussions is the issuance of various types of Islamic securities called Sukuk, which are mainly intended for government financing, government agencies and economic entities, according to Islamic contracts. And they are a good alternative to bonds, especially bonds. The publication of securities (sukuk) based on the sacred ordinances of the Islamic Sharia is one of the most important achievements of Islamic banking and finance, and is one of the most prominent tools of Islamic economic development, provided that in its mechanisms all the fundamentals that distinguish Islamic economics from other economies, To be observed.

Sukuk is based on the definition of the organization of accounting and auditing of Islamic financial institutions: "Certificates of the same nominal value, which, after the completion of the operation of the acceptance, indicate the payment of the amount specified therein by the buyer to the publisher, and the owner of it owns one or a set Of assets, benefits from the assets or beneficiaries of a project or a particular investment activity "(AAOIFI, 2008). Sukuk, although known as a Sharia-based financing tool (Mousavian, 1391), can be classified as structured finance in terms of structure. This method of financing transforms a set of assets into one or more portfolios of securities, which are referred to as asset backed securities (fabozzi and Kothari, 2008). Following the 2008 US financial crisis, due to the failure of some types of sukuk, a new division of the sukuk structure was introduced, which is asset-backed sukuk based on asset backing, which, after the recent financial crisis, distinguished between these two types of sukuk and the impact of these differences. The support of the investor has become more and more clear. In the recent financial crisis, most of the overwhelming debts in the sukuk market are related to asset-based sukuk, and the question is for investors, why only this kind of sukuk has failed.

In describing the main distinction of these two types of sukuk, it should be stated that their main difference is in the transfer of ownership of the property on the basis of publication (Mseddi and Naifar, 2013). In asset-backed securities like Ijareh Sukuk, only the property ownership of the asset is transferred to the SPV entity and the legal ownership and, in fact, the ownership of the underlying assets are reserved for the sponsor (so-called

financially). Therefore, legal and accounting assets will remain on the balance sheet at the balance sheet date, but in securities the real assets will be backed up by the actual sale of their underlying assets or their interests and the full transfer of ownership from Bunny to the Intermediate entity Thus, the underlying assets can be separated from other legal and accounting assets and are institutionalized. The intermediary is the owner of the real owner of the underlying assets and accepts the risk of ownership.

In Iran, most of the issued securities of the Sukuk type are backed by a ijareh Sukuk asset (Stock Exchanges, 1397), so it is necessary to develop indicators for assessing the Ijareh sukuk in the capital market, which is the index As a basis for rating these bonds, they will be used by financial institutions such as supply consultants, credit rating agencies and other entities that will be responsible for the acceptance and marketability of these bonds. Accordingly, the main question of this research is that what are the components of the Ijareh Sukuk rating in the capital market of Iran?

In response to this first question, it should be determined by the review of the laws and guidelines for publishing Ijareh Sukuk, the environmental conditions for the publication of these bonds, then a comparative review will examine the evaluation indexes of these bonds internationally, for this purpose More than the rating of international and indigenous Islamic countries will be used. Finally, using the Delphi research methodology, the indicators extracted and adjusted according to the rules and guidelines in the form of semi-structured standard questionnaires are available to experts. After analyzing and processing the questionnaires, the final indicators Evaluation of these securities is determined

### **Research literature**

Mseddi and Naifar, by defining asset-backed securities and its risks, provided a model for rating sukuk, in which the sukuk rating process was categorized in two categories of credit rating and rating ratings In this classification, which has been applied by national rating agencies such as the IIRA, the requirements of the Shi'a and the special structure of sukuk are included in the conventional bonds (Mseddi and Naifar, 2013). Ahmet and Aminal, also analyzing the methodology used by Malaysian rating institutions and international rating agencies such as Moody's, have stated that the special structure of sukuk and the role of various elements in the publication of sukuk makes it possible to

rank sukuk in structure. These pillars and their validation, and on the other hand, the role of the fundamentals and their ability to generate cash will play a significant role in determining the Sukuk score (Ahmed & Aminal, 2015). The bulk of the research conducted inside and overseas in the area of factors related to sukuk rating, on the area of identification of risks associated with securities backed by Yi leasing sukuk has focused especially that total survey conducted research can help to identify the risks of asset-backed securities to be significant.

Soroush and Sadeghi (2008) classified Sukuk risks as the most important asset-backed securities in three categories: primary market risks, secondary market risks, and asset-related risks; they cited a total of 20 risks associated with Ijarah Sukuks were identified and counted. Mousavian et al. (1391) also investigated a total of 7 Islamic securities in their study titled Islamic Finance Instruments Risk Recognition and Rating, and for each of these portfolios, two risk sets, including the specific risk of each paper and shared risk. The International Institute for Islamic Ratings (IRI), in describing the dimensions and components of the Sukuk rating, outlined the risks affecting sukuk and categorized them in five categories including credit risks, liquidity, interest rates, market and operations

### **Research methodology**

Since the main goal of this study is to identify the indicators that are expected to play a role in the asset-backed asset valuation process, Delphi scanning has been used, and the steps involved in doing the research are as follows:

#### **A. Study of theoretical foundations:**

In the first step, the valuation indexes of asset backed securities in the capital market of the country studied are identified and adapted to provide theoretical and empirical support. At this stage, based on the study of existing records, such as academic research, as well as an examination of the practice of international rating agencies and national rating agencies that have more expertise in rating of Islamic securities (such as Bahrain and Malaysia) Asset-backed asset valuation indexes are identified to identify types of risks and legal requirements and requirements of the Shari'ah. According to them, key questions to be included in the questionnaire will be designed for a panel of experts.

**B. Questionnaire design:**

At this stage, the key dimensions based on the theoretical foundations obtained in the previous section which, according to the Delphi research team, are also compatible with the environmental characteristics of the Islamic Republic of Iran, along with other stimuli

Another option was chosen and based on which key questions could be embedded in the Delphi questionnaire.

Since the questionnaire of this research has been designed based on the principles of compiling a semi-structured Delphi standard questionnaire, this question has been confirmed by the experts, the questionnaire has the necessary content validity (validity), as well as reliability of the questionnaire (reliability) also using the alpha calculation Cronbach's alpha was tested and the number was 0.73, which indicates the acceptable reliability of the research questionnaire.

**C. survey of experts:**

In order to obtain an opinion from experts in order to reach a consensus on each of the indexes of securities valuation on the backing of assets in the capital market of the country, 25 experts in the field of financing in the capital market were used, based on 3 components of knowledge and practical experience in the field of succor financing, willingness, enough time for company and effective communication skills have been selected, so the number of sample members of this research finds credibility with regard to the expertise of research members (Azar 1383, p. 135).

**D. Consensus:**

To reach consensus, to reach consensus on an idea, and sometimes to attempt to identify differences. Consensus does not mean that the answer is correct, but merely the agreement of the participants at a certain level in the subject (Kennedy, 2004, p. 504; Powell, 2003, p376). In order to reach a consensus, a multi-round questionnaire distributed among members of the Delphi team.

### Research question

Based on these issues, the present research seeks to find a scientific answer to the question: "What are the indices of asset-backed securities valuation in the capital market of Iran?"

### Analysis of research data:

In this research, after receiving the questionnaires sent to the experts, Delphi technique was used to analyze the questionnaires. The results of this analysis in the first round of the analysis of the received questionnaires are described in Table 1:

Table 1. Analysis of research data

Indicators	Number of questions	Confirm or decline the question	Strongly agree or disagree	Consensus or lack of consensus	Matching responses
		Binomial test	One Sample T-Test	Kolmogorov-Smirnov test	Kruskal-Wallis test
Asset risk analysis of Ijareh Sukuk	۱۰	Agree	Agree	Consensus	Yes
Analyzing the Legal Structure of Ijareh Sukuk	۵	Agree	Agree	Consensus	Yes
due diligence of Ijareh Sukuk participant	۸	Agree	Agree	Consensus	No
Indicators affecting Ijareh Sukuk analysis	۵	Agree	Agree	Consensus	Yes
Indicators Effective on originator Cash Flow Analysis	۲	Agree	Agree	Consensus	Yes
Use credit enhancement tools	۳	Agree	Agree	Consensus	Yes
fiduciary Ratings	۲	Agree	Agree	Consensus	Yes

### Delphi second round questionnaire

As shown in Table 1, the results of Kruskal Wallis test showed a lack of consensus among the respondent groups for the questions of the microscale section of the publication. In other words, the respondent groups did not agree on the severity of the questions. Therefore, for these indices, the second round of the Delphi method was collectively implemented and experts were asked to approve or change their previous response based on the total views collected in Delphi's first round. Accordingly, 12 experts answered the questions and their views were tested again using the Delphi method in a fuzzy fashion. After answering the results, the results are presented in Table 2.

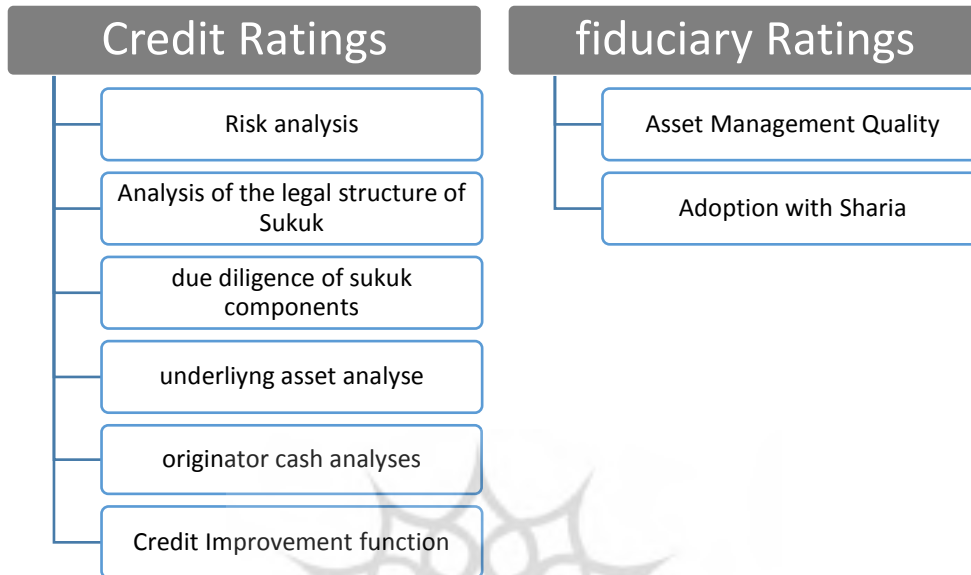
Table 2. Delphi second round result

NO	Question	Tolerance	amount Definite	Result
۱	due diligence of the market maker	0.6	0.667	Accept
۲	due diligence of underwriter	0.6	0.695	Accept
۳	due diligence of Auditor's	0.6	0.7011	Accept
۴	due diligence of Guarantor	0.6	0.751	Accept
۵	due diligence of Sales Agent	0.6	0.501	Reject
۶	due diligence of payment agent	0.6	0.741	Accept
۷	due diligence of Supervisor	0.6	0.651	Accept
۸	due diligence of Consultant	0.6	0.666	Accept

### Research results:

The final model proposed by the experts can be described in Fig. 1, which shows the general indexes of asset-backed securities valuation, in which the components of the indicators are described in Figures 1.

Figure 1



Ijareh sukuk Rating Dimensions

## Discussion and conclusion

With the expansion of the market for financing through the capital market and the variety of bonds published in this market, the need to evaluate published bonds to guide and guide investors and holders of these bonds seems to be necessary, on the other hand, with a variety of financing tools With the focus of Sukuk on the capital market, the need to classify these instruments for their specialized assessment is essential. Accordingly, and in accordance with existing international and credit rating agencies, debt securities in the 2nd general class of securities Securities and asset backing is based on assets. In the capital market of Iran, the amount of fund-raising through asset-backed securities is far greater than asset-based securities. For this purpose, in this research, asset valuation indexes have been provided.

Based on the comparative study, the comparative analysis of debt valuation models by credit rating agencies, recommendations and guidelines of international and Islamic financial institutions, review of laws and requirements raised by the market-monitoring supervisor and, ultimately, academic and academic research In this regard, indicators were extracted



which, after being consulted by experts in the form of a Delphi research method, were designed and developed in the form of a sixth floor. Of course, in international financial practice, evaluation of securities is based on the risk analysis of bonds, but considering the environmental features of debt securities issuance in the capital market, in addition to risk analysis, other factors should be considered based on an expert opinion poll. In the form of five categories, including legal analysis of sukuk, cash flow analysis, asset analysis, publishing principle, and the tools for credit enhancement.

Finally, it is important to note that the indicators presented in this study are described in order to evaluate the assets underlying assets in general, but in practice these types of securities are divided into different types, such as rent, investment, and so on. Each Which components have their own and in some cases different, so in order to accurately evaluate each of these papers, the environmental characteristics of each instrument have to be examined separately and the indicators presented in this study are general and common between types Expressed the securities backed by the asset, eventually the researchers of the capital market It is suggested that with the due diligence of various types of capital market securities including debt and capital securities, it is planned to design specialized models for assessing various types of financial instruments of the capital market. This issue is due to the introduction of guidelines for the establishment and operation of rating institutions in the capital market in the year. Recent developments can play a significant role in the richness of the securities rating process in the capital market of the country.

## Resource

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