EXAMINING THE FEASIBILITY OF FINANCING SMALL AND MEDIUM INDUSTRIAL ENTERPRISES THROUGH RENT SUKUK CASE STUDY: KOHGILUYEH AND BOYER -AHMAD PROVINCE

Avaz Kenarkuhi¹ and *Abbas Esteghlalmotlagh²

¹Department of Management, Qeshm International Branch, Islamic Azad University, Qeshm, Iran
²Department of Economic, Qeshm International Branch, Islamic Azad University, Qeshm, Iran

*Author for Correspondence

ABSTRACT

Financing refers to a process that is done for financing and funds of company activities and creating and launching development and income-generating projects of economic units. Given the pace of innovation in financial industry of world, we witness the emergence of new financial instruments and new techniques in analysis of new findings in the field of financial theories. In this context, Islamic countries have considered a new technique called Islamic financing (sukuk) that are fully compatible with Sharia law. Since small and medium enterprises in developing countries are playing key roles, this research tries to study the possibility of Islamic financing with an emphasis on Rent Sukuk of industrial small and medium enterprises in order to supply liquidity and develop plans of firms. The statistical population of this study includes industrial small and medium enterprises that are selected using case sampling of Kohgiluyeh and Boyer-Ahmad province and data collection method of this study is questionnaire. The results obtained in this study show that it is possible to use Rent Sukuk in industrial small and medium enterprises on development projects but it is not possible to use tools for liquidity supply.

Keywords: Finance, Islamic Finance, Rent Sukuk and Small and Medium Enterprises

INTRODUCTION

Small and medium enterprises play critical role in developing countries due to high flexibility, mobility and returns. This capability is dependent on finance and investment in time. Given the pace of innovation in world financial industry, we witness the emergence of new financial instruments and new techniques in analysis and new findings in the field of financial theory that have led to the development of their communities through financing small and medium enterprises. The role and importance of small and medium enterprises is discussed not only in developing countries but in developed countries. The main advantages of these companies include stimulating entrepreneurship, dynamism and flexibility, rapid growth potential, High efficiency, their extent and effects on GDP of country. The ability of small and medium enterprises depends on investment potential in innovation, quality and development that all of them need to capital and financing (Mura and Buleca, 2012). In this context, Islamic countries have considered sukuk for financing that is fully compatible with Sharia law and enterprises are financed through their assets and based on Islamic law. That is why the demand for sukuk has been popular in recent years for financing and has been accepted as tools for world financial markets. As far as non-Muslim countries have published sukuk in order to attract Muslim capital (Rahimi and Eslami, 2012). The research seeks to publish Rent Sukuk in order to supply liquidity and develop small and medium enterprises. Governments must publish facilitator guidelines and rules in order to overcome the barriers of financing through sukuk and in order to realize this objective.

Since the majority of our population is Muslim who wishes to increase his income through developing their business activities in compliance with legal regulations, then in this study, we examine the Rent Sukuk as new tools for financing for survival and development of small and medium enterprises.

Literature

Focus or formation of funds that is called investment is basic and important factor in economic development. Supplying machines, production tools and industrial equipment can be increased and
production scale can be expanded through the expansion of investment in production of capital goods. All economists regardless of considering their intellectual perspective and school have focused on forming financial resources as the most important determinant factor of economic growth and development. According to Noreks, the concept and meaning of financial resources focus is that a society will not consume all of its current productive capacity to meet the consumption needs, but spends part of it for capital goods production. In this definition, Noreks has only emphasized only on physical capital focus and has ignored the human capital focus. Thus financing refers to a set of processes that are done in order to provide financial resources and funds for continuity of company activities and creation and establishment of economic units’ development and revenue projects of (Shabani, 2007). Mora and Belka in his research entitled “exploring the possibility of financing small and medium industrial firms in Slovak Republic” state that the company aims to increase business activities effectively and increase its performance. Any firm needs for its financing activities mainly at the beginning of entrepreneurship as well as in the future in order to ensure investment projects and increase the efficiency of company. If company funds are not enough, receiving funds from external sources will lead to a question for company's management as “how they must make the best decisions on company financing”. The financing tools of small and medium industrial enterprises include domestic and foreign banks, leasing, agency, conversion of securities, mortgage commercial securities and venture capital (Mura and Buleca, 2012).

Heybati and Ahmadi in a study on evaluating project– oriented finance techniques of Islamic financing suggest that in Islamic finance, banks must be able to create a balance between resources and expenditure using risk management techniques. For this reason, it guides Islamic banking towards venture investment, financing the project and structured finance. Islamic banks can create a balance between resources and expenditure using risk management technique and therefore offer venture investment, project- oriented and structured finance of west in line with principles of Sharia. Islamic finance in certain cases is able to offer these solutions at lower cost (Heybati and Ahmadi, 2009).

Financing or Capital Methods at Micro Level (Economic Enterprises)

Financing or capital formation and focus on economic enterprises level are in two main ways, including debts and equity. If we look at an enterprise’s balance sheet from financial management perspective, assets are called Financial Expenses and liabilities and shareholders’ equity are called Financial Resources.

Financial resources focus at enterprises level from time perspective is divided into two categories of short-term financing and medium-term and long-term financing.

Short-term Financing Sources in Enterprises Consist of Three Main Sources

Letter of credit: When an enterprise buys products from other economic unit, it does not usually have to pay immediately the price and it is reflected in balance sheet under debts until payment as payable accounts.

Borrowing from commercial banks: the second largest source of micro-financing is to borrow and receive facilities from commercial banks.

Business documents: the latest source of short-term financing for firms is to issue business documents.

B. Medium- and Long-term Financing Sources of Enterprise include Four Sources

Borrowing from commercial banks: borrowing and receiving facilities from commercial banks with or without bail is the first type of enterprise financing.

Distributing and supplying securities to public: it is done through specialized services of financial institutions and investment banks.

Releasing and supplying securities in limited form: The difference between this source and the second source is in the number of buyers and degree of contact between supplier and buyers of securities.

Other sources: There are methods that some of which have become common in some communities specially in our society, such as rental contracts, sales of goods and services, sale of assets, assignment of operations and etc. (Shabani, 2007).
Islamic Financing (Sukuk)
In recent years, financial managers and decision makers of Islamic countries enterprises have been inclined to sukuk (to convert their assets into exchanges) in order to finance their enterprises, because it is consistent with legal and Shariah law. The Sukuk has been identified as attractive tools for investment of Islamic banks. For this reason, Muslims are willing to increase their income through the development of their business activities which requires financial resources. Therefore they are strongly willing to finance through Islamic finance of Sukuk, because they are financed by their assets and on the basis of Islamic law. That is why the demand for sukuk has been popular in recent years for financing and has been universally accepted as a new mean of financing.
Hence, given that many of the world's population are Muslim, Sukuk is considered as an important new tool of investment and development (Zakaria et al., 2012). In this regard, Huda in research entitle “developing Islamic finance scheme for small and medium enterprises of developing countries: case study of Indonesia” expresses that government must act as a strategic partner with University for Islamic banks in order to reduce asymmetric information which prevents banks from lending to medium-sized firms (Huda, 2012).

Types of Islamic Securities (Sukuk)
Islamic securities can be classified from different dimensions. One of the most important classifications is based on original contract that accordingly Sukuk is issued. Since Sukuk is created through combining different contracts, therefore, the term of “original contract” is used. For example, many contracts are used in designing Bonds, but these bonds are called as partnership, that is the original required contract in order to issue bonds.
Accordingly, the Islamic securities are divided into 14 types including rental papers, bonds, construction order papers (Istisna), debt papers (mortgage), Murabaha papers (installment sales), Salf securities, Reward contract papers, Share-crop system papers, Passive securities (Muzarebe), farm-letting papers, endowment papers and Non-interest bearing papers.
Manzar Qahaf has provided other classification based on Islamic securities return (Sukuk). According to him, Islamic securities can be classified as below (Sorush, 2011):
1. Securities with fixed return
2. Securities with variable return
3. Convertible securities
Another classification has been provided by Ayatollah Taskhiri. According to this classification, given the Islamic securities return, financial instruments can be related to the type of contract that papers are designed accordingly and they are different in terms of expected and fixed rate; and are set into three main categories: papers based on buying and selling debt, papers based on buying and selling physical assets and papers based on economic plans profit sharing.
construction order papers (Istisna) and Murabaha papers (installment sales) in first group, rental Rent papers (rental) in the second group, partnership, sleeping partnership and farm-letting papers in the third group.
Finally, it seems that classification of financial instruments in the following classification has been more complete and more appropriate. This classification is based on investment objective.
1. Non profitable securities
2. Profitable securities (with fixed, variable and convertible income)
According to this classification, Islamic financial instruments are classified into two main groups of profit securities and nonprofit securities. Endowment and Non-interest bearing papers are considered as non-profit financial instruments. The aim of issuing these papers is not profit. Financing instruments that include Iajrah papers, Murabaha papers, Salf papers, construction order papers (istikana) and mortgage papers are considered as financing instruments with fixed income and partnership, sleeping partnership, share-crop system and farm-letting papers are considered as financing instruments with variable income. In general, Islamic profit securities with the aim of financing are called "Sukuk". Companies’ stocks are exempted from this group (Soroush, 2011).
Rent Sukuk
In fact, Rent Sukuk includes securities whose holder is owner of property in shared form and its benefits have been granted to the client based on rental contract. In Rent Sukuk, the right of using an asset interests or set of assets for rent will be transferred from owner to another person. The rent term is defined and rent can be paid at the beginning or end of period monthly, quarterly or annually. Given that Rent Sukuk includes securities that represent the individual shared ownership, it can be transacted in the secondary market and the price that is based on supply and demand. According to paragraph 1 of Article 1 on issuing Rent papers, Rent Sukuk includes securities that reflect the shared ownership of property owners that is rented (Securities and Exchange Organization, 2007).

The number of sukuk that are used as financing will be described (From site: www.spv.ir):

Non-interest bearing Sukuk: it includes securities that are issued based on no-interest debt and accordingly security issuer is debtor to holders of securities based on their nominal value and must pay at due date. These papers that are proposed by Muslim thinkers and are executed in some countries include two types:

- Rent Sukuk: it includes securities whose holder is owner of property in shared form and its benefits have been granted to the client based on rental contract. In Rent Sukuk, the right of using an asset interests or set of assets for rent will be transferred from owner to another person.

Rent Sukuk includes securities whose holder is owner of property in shared form and its benefits have been granted to the client based on rental contract. In Rent Sukuk, the right of using an asset interests or set of assets for rent will be transferred from owner to another person. The rent term is defined and rent can be paid at the beginning or end of period monthly, quarterly or annually. Given that Rent Sukuk includes securities that represent the individual shared ownership, it can be transacted in the secondary market and the price that is based on market factors.

Murabaha Sukuk: it includes securities whose holders are shared owner of financial asset (debt) that is obtained by Murabahah contract and paper holder is owner and creditor of debt. The papers have fixed return and are sold in secondary market. The primary market of these papers are based on cash and credit purchases and sales of certain assets that don’t have legal problems and their secondary market is based on buy and sell permits.

Sleeping partnership Sukuk: it means trading with others capital and also, it means that a person (owner) gives an asset (capital) to another (agent) and receives profit from capital profits; returns of sleeping partnership papers are based on business benefits.

Partnership Sukuk: The nominal securities that are issued by license of Tehran Stock Exchange brokers for specified nominal price for a specified period in order to supply the financial resources needed for reconstruction projects and development of firms listed on Stock Exchange. The papers are issued without government guarantee and Central Bank of Islamic Republic of Iran.

Farm-letting Sukuk: it includes securities that are designed according to farm-letting contract. The issuer of farm-letting papers collects the funds of papers applicants through transferring papers and buys agricultural lands with that money; then, he transfers the land based on farm-letting contract on behalf of paper holders to farmers in order to agriculture on that lands and share their products at the end of crop year.

Share-crop system Sukuk: it includes securities that are designed according to share-crop contract; share-crop issuer collects the funds of papers applicants through transferring papers and buys useable gardens with that money; then, he transfers the gardens based on share-crop contract on behalf of papers holders to gardeners in order to control them and share their products at the end of crop year. The holder of papers is owner, the issuer is attorney and gardener is agent of share-crop contract and share-crop papers are considered as shared ownership document of paper for specific gardens.

Istisna Sukuk: these papers are based on Istisna contract and are considered as securities with fixed return. Istisna papers aim to create new instruments in projects and contractors financing. Istisna papers are securities that issuer publish them based on construction order contract. An amount of money is paid to contractor due to construct an asset or specific plan in future.

Salf Sukuk: An institution contracts with another institution on behalf of purchasers of Salf Sukuk and the aim of this contract is to become intermediate between goods and buyers and act as an intermediate in

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order to facilitate activities. In the case of issuing Salaf Sukuk, it must be noted that goods of the Sukuk must not be part of goods which are not permitted in Islamic law for these contracts; therefore, the kinds of gold and coins cannot be used as base asset in order to issue Salaf sukuk.

**Financing through Rent Sukuk**

The first step of converting assets into securities through Sukuk issuance is that we must separate eligible assets from main company and transfer them into a company with a specific destination that is normally a company with limited liability. With the transfer of assets to a special purpose company, all risks of assets are transferred from main company to company with specific destination. The Sukuk holders become also sure that all rights of assets are owned by them and anyone cannot claim about it. If the assets are on balance sheet of main company, and are not transferred to a special purpose company, then creditors may claim on it (Nedri and Kargar, 2010).

During the conversion of assets into securities, payment of demands are invested by depository and services institutions in various accounts under the control of a trustee and are paid to shareholders by trustee in exchange for securities. When the assets are converted into securities, flow of funds is from buyers of securities (investors are typically banks, insurance institutions and pension funds, and in some cases, natural persons) towards publisher of securities and from publisher towards its issuer. It is noteworthy that all these activities are accomplished simultaneously (Nedri and Kargar, 2010).

**Types of Rent Papers (Sukuk)**

Rent papers can be classified in different ways. These papers can be divided into two categories of normal rent papers and rent for ownership papers. According to founder, they are classified into two categories of renting normal companies’ papers and rental companies of financial institutions (Banks and non-bank financial credit institutions and leasing). Each of them has other additional categories. In a more general classification, according to the purpose of issuance, rental papers can be classified into three categories of financing rent papers, liquidity financing rent papers and mortgage rent papers (Soroush, 2011).

**Normal Rent Papers**

In these papers, the financial institution rents capital and durable consumer goods to applicants proportional to their useful lifetime for a specified time and receives mentioned items at the end of contract. It sells amortized products on market and allocates cost of sales to purchase new products or delivers to account of securities owners. Operating methods of normal rent papers can be designed for a case and for a particular item or for a specified time, or a combination of several goods continuously (Kavand, 2010).

**Rent for Ownership Papers**

In this way, the financial institution purchases capital goods or durable consumer goods using sources from transferring rent papers and assigns to applicants in the form of Rent for ownership. It means that tenant becomes the owner by paying the last rent.

**Aim-based Rent Papers**

In this part, the classification of rent papers is described based on the aim of issuing Sukuk sample. This classification is based on three below ways:

**Financing Rent Papers**

Financing rent papers include papers where mediator buys an asset (or set of assets) on behalf of investors from seller and rents to founder. The issuance process of financing rent papers is as below. Since in this case, the rent papers are issued by mediator in order to obtain a specific asset for founder, then, papers that are issued during this process are called financing rent papers.

**Financing Liquidity Rent Papers**

In this type of rent papers, mediator purchases an asset (tangible fixed) from founder on behalf of public through transferring papers to public and collecting funds and rents it to the same firm (founder). In other words, this type of papers is based on sale and rent back. The founder supplies his needed liquidity using rent papers. In other words we can say that founder has obtained an amount in order to meet his liquidity needs through bailing his asset. It has lead to name these papers as financing liquidity rent papers. For example, a company that needs cash will obtain it again in the form of rent for ownership.
Mortgage Rent Papers

The third type of rent papers is used mostly by banks, leasing and credit institutions. In this type of papers, founder (bank) sells facilities to a third party (mediator) that has already paid in the form of rent for ownership contract. Thus, the mediator issues rent papers firstly and then purchases assets that bank has given to different people in the form of rent for ownership contract - purchase contract. Selling these assets, the relationship between founder and mediator is ended and mediator becomes owner of assets on behalf of investors and bank (founder) has transferred them to borrowers in the form of rent for ownership contract.

Small and Medium Enterprises

Small and medium enterprises are industrial or service units that have less than fifty workers. In our country, the main financer of small and medium enterprises are commercial banks that grant loans and credits in supportive and normal way but receiving each of them has its own regulatory and legal obstacles and problems. Small and medium enterprises face greater problems compared to large companies with operational stability.

When the economy remains in monopoly state, the problems of small and medium enterprises will be doubled for financing. Warrantors and lenders may avoid from financing for special types of small and medium enterprises, especially in the case of newly established companies that do not have sufficient bails or companies that will offer high potential returns, but face with high bankruptcy risk (Mousavi et al., 2009).

Many commentators have mentioned lack of financing for small and medium enterprises as a major problem of their success. For this purpose, if funds are available, the large number of small and medium enterprises can use financial resources efficiently and effectively and achieve productivity, but these enterprises are not always able to supply their required financial resources from formal financial system (Mura and Buleca, 2012). Problems of small and medium enterprises in connection with their needed financing may be due to some factors.

Lack of appropriate mechanisms for financing may be due to various factors such as lack of legal flexibility or gaps in legal frameworks. Also, rationing credits and loans when: 1. among loan applicants, some receive credit and others don’t receive 2. There are similar groups who cannot get credit at any price (Mousavi et al., 2009).

Ahmada and Kafly in a research entitled “economic and sukuk market forces in Malaysia” show that while the Sukuk is driven by its dynamics in its short-term horizon and issuance of Sukuk papers results in domestic GDP, policy makers must design new policies in order to modernize the functional aspects of Islamic capital market. So that Sukuk has more concept for international institutional investors with its competitive advantage and introduces Islamic capital market performance through targeting part of global markets that is not influenced by other competitors and plans new policies for using it in Islamic capital market (Ahmad, 2012).

Hypotheses

The Main Hypothesis

There is significant and positive relationship between issuing Rent Sukuk and small and medium industrial enterprises.

Sub- Hypotheses

There is significant and positive relationship between Rent Sukuk and supplying liquidity (working capital) of small and medium industrial enterprises.

There is significant and positive relationship between Rent Sukuk and projects development in small and medium industrial enterprises.

MATERIALS AND METHODS

The present study is applicable. The statistical population of this study includes all small and medium industrial enterprises of Kohgiluyeh and Boyer-Ahmad Province. The statistical population is provided in the table below.
Table 1: Industrial units of Kohgiluyeh and Boyer-Ahmad Province

<table>
<thead>
<tr>
<th>Industrial Park name</th>
<th>Electronic</th>
<th>Chemical</th>
<th>Cellulosic</th>
<th>Textile</th>
<th>Food</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yasouj 1</td>
<td>1</td>
<td>26</td>
<td>6</td>
<td>4</td>
<td>15</td>
<td>52</td>
</tr>
<tr>
<td>Yasouj 2</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Yasouj 3</td>
<td>4</td>
<td>26</td>
<td>10</td>
<td>4</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Gachsaran</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>Dehdasht</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>total</td>
<td>6</td>
<td>65</td>
<td>21</td>
<td>13</td>
<td>56</td>
<td>161</td>
</tr>
</tbody>
</table>

The sample of this study is the same as selected statistical population due to non-response of some sample subjects.

In this study, "descriptive–analytic and inferential" method is used. In addition, the legal and Figh bases of Rent Sukuk is studied using reasoning method in this study and the operational models of financing through Rent Sukuk are expressed using comparative method. The Cronbach's alpha method is used in order to determine the validity or reliability of questionnaire results. Questions 1 through 20 are on the main hypothesis and the possibility of using small and medium industrial enterprises as new Islamic financing instruments; questions 21 to 26 and 31 are used to predict the tendency of enterprises in order to use these instruments in development of enterprise (capital plans) and questions 27 to 30 and 32 to 34 are used to show the tendency of enterprises to use these instruments for working capital (supply liquidity) and are provided in the following table:

Table 2: Reliability coefficients of questionnaire

<table>
<thead>
<tr>
<th>Cronbach's alpha method</th>
<th>Scales</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.74</td>
<td>New tools for Islamic finance</td>
</tr>
<tr>
<td>0.42</td>
<td>Working capital (survival)</td>
</tr>
<tr>
<td>0.50</td>
<td>Development (success)</td>
</tr>
<tr>
<td>0.78</td>
<td>Total questionnaire</td>
</tr>
</tbody>
</table>

Alpha output value from Spss statistical software is equal to 78% that is acceptable validity. Methods of descriptive and inferential statistics are used in order to test the hypotheses. Multiple regression coefficients are used in order to analyze hypotheses and inferential statistics is used in order to analyze data of hypotheses using Spss and Excel software.

Data Analysis

The main hypothesis: There is significant and positive relationship between issuing Rent Sukuk and small and medium industrial enterprises.

Table 4: Correlation coefficient test

<table>
<thead>
<tr>
<th>Regression coefficients</th>
<th>F</th>
<th>P</th>
<th>R²</th>
<th>R</th>
<th>Statistical indices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Predictor variables</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Criterion variables</td>
</tr>
<tr>
<td>B=0.513</td>
<td>10.188</td>
<td>0.010</td>
<td>0.290</td>
<td>0.538</td>
<td>Supply of liquidity</td>
</tr>
<tr>
<td>t=2.35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rental securities basis</td>
</tr>
<tr>
<td>P=0.070</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Development of plans</td>
</tr>
<tr>
<td>B=1.285</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>t=4.095</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P=0.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Table (4), multiple regression result is r=0.538 between the basis of using Rent sukuk and supplying liquidity and development of industrial small and medium enterprises that linear relationship is significant at significance level of p= 0.000. This relationship suggests that 29% of variance between
variables of liquidity financing and development of enterprise plans are explained by Rent papers. So, the hypothesis H0 is rejected that is based on no-relationship between using Rent papers and supply financing and development of industrial small and medium enterprises and hypothesis H1 is confirmed. As a result, the main hypothesis is confirmed.

Sub- hypotheses
First Sub- hypothesis
There is significant and positive relationship between Rent Sukuk and supply financing of small and medium industrial enterprises.

Table 5: The relationship between Rent Sukuk and supply of liquidity (working capital), Small and Medium Industry

<table>
<thead>
<tr>
<th>Significance level</th>
<th>Supply of liquidity</th>
<th>Number</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation coefficient</td>
<td>322</td>
<td>Rental securities (sukuk)</td>
</tr>
<tr>
<td>0.103</td>
<td>0.226</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Table (5), correlation coefficient is equal to $r=0.226$ between Rent sukuk and working capital (survival) of small and medium industrial enterprises that is not significant at significance level of $p=0.103$. Then there is no significant relationship between Rent Sukuk and working capital of small and medium industrial enterprises. So, the hypothesis H0 is rejected that is based on no-relationship between variables and hypothesis H1 is confirmed. As a result, the first sub-hypothesis is rejected.

Second sub- hypothesis: There is significant and positive relationship between Rent Sukuk and projects development in small and medium industrial enterprises.

Table 6: The relationship between New tools of Rent Sukuk and development of plans in small and Medium Industry

<table>
<thead>
<tr>
<th>Significance level</th>
<th>Development of plans</th>
<th>Number</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation coefficient</td>
<td>322</td>
<td>Rental securities (sukuk)</td>
</tr>
<tr>
<td>0.000</td>
<td>0.491</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Table (6), correlation coefficient is equal to $r=0.491$ between Rent sukuk and projects development of small and medium industrial enterprises that is significant at significance level of $p=0.000$. Then there is significant relationship between Rent Sukuk and projects development of small and medium industrial enterprises. So, the hypothesis H0 is rejected that is based on no-relationship between variables and hypothesis H1 is confirmed. As a result, the second sub-hypothesis is confirmed.

Conclusion
Since small and medium enterprises of country use bank loan and facilities in order to take advantage of financing, we are faced with this question of whether this method is preferable compared to conventional financing or borrowing from banks. We evaluate the methods of financing in Iran using the advantages, disadvantages, threats and opportunities by a variety debt financing and project methods in order to answer this question. In this study, the benefits and opportunities of using banking system are explained by number of banks in country, the presence of specialized banks, the extent of country's banking network, the possibility of receiving loan in Rials, its weaknesses and threats, limits of banks technical and economic considerations, its governmental nature and inefficiency of banking system, the limited liquidity of banks in order to finance projects and industries, lack of competition system in the banking system, the long process of obtaining a loan, the presence of administrative bureaucracy, manipulation banking system by government and its Implications, the presence of duty remarks, announcing interest rates, non-justifiability of using financial resources for to long-term investment, rejection of license by banking system as bail. Benefits and opportunities of using sukuk papers include its diversity in Islamic contracts, issuance flexibility, lower cost compared to other methods, based on Islamic teachings, project-oriented financing process, the possibility of entering into capital market, the experiences of other countries,
Research Article

unaffected by international developments by issuing domestic sukuk, possibility of issuance internationally and take benefit from international capital. Its threats and deficits include the existence of some legal limitations, the lack of legal basis, failure of capital market in accepting these securities, lack of secondary markets in country, limited internal sources (sources of security purchasers) (Mozayyani, 2011). Using sukuk financing is suggested for small and medium industrial enterprises through comparing above methods and according to the excesses of Sukuk advantages and opportunities over banking system as well as its less threatening and deficits.

Recommendations
1. Having more than thirty years of experience in Islamic banking and finance
2. The presence of a wide range of Islamic financial service providers; there are seventeen Islamic banks in Malaysia, that six of them are foreign Islamic financial institutions. They present in many conventional financial institutions, and Islamic financial branches. These institutions can act as pioneers in the field of Islamic finance instruments
3. The presence of eleven Takaful institutions
4. The presence of Islamic capital market with Islamic investment funds
5. The legal framework, the rule of Shariah and reliable and comprehensive legal supervision based on the best methods and in accordance with fair tax policy
6. The wide range of Islamic products and services
7. Human resources and talents development infrastructure
8. Active trades of secondary markets in Islamic money and capital markets with modern technology
9. Development of Islamic education system and financial research in compliance with executive requirements

ACKNOWLEDGEMENT
We are grateful to Islamic Azad University, Qeshm branch authorities, for their useful collaboration.

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