



Effective indicators on the evaluation of Islamic debt securities in the capital market of Iran¹

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Introduction

Financial provision through the capital market has grown significantly in recent years with the development of guidelines for the issuance and supply of debt securities. On the other hand, due to the young nature of the issuance of these bonds in the capital market, the dimensions and elements of financial provision through these instruments have not been completed. Based on these cases, the current research has extracted the evaluation indices of Islamic debt securities centered on Sukuk in the capital market. These indices are the basis for measuring quality. Debt bonds have been published and are used in many cases, especially in the formulation of credit rating or value rating of these bonds. In this research, after studying the theoretical foundations, including the laws and instructions issued by the capital market supervisory body, the theoretical and scientific principles regarding the evaluation of securities, and the procedure of prominent financial institutions in the field of evaluation of securities such as credit rating agencies, indices The evaluation of this type of paper has been extracted. Then, the indicators were prepared, using the Delphi research method, subject to the opinion of experts. Finally, based on the comments received, the final indicators for the evaluation of Islamic debt securities in the capital market of Iran have been compiled.

MATERIALS AND METHODS

In connection with the evaluation of Islamic debt bonds, two important sources of information can be mentioned; First, the procedure of rating institutions, and second, scientific and academic research.

A) The procedure of rating institutions

Credit rating agencies are among the prominent financial institutions that evaluate debt securities. Accordingly, rating institutions can be divided into two categories. First, institutions that

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rate bonds at the international level, including Sukuk. The most important of these institutions are; S&P, Fitch, and Moody's, which cover about 90% of the market based on the available information (Tichy, 2011). On the other hand, the national institutes in the field of Sukuk rating have been established in some Islamic countries, among which we can mention the two Mark institutes and the Islamic financial rating institute in Malaysia and Bahrain. These institutes define a different methodology to rate Sukuk compared to international institutions. One of the differences is the consideration of Sharia principles in determining the Sukuk rating (Masdi and Naifar, 2013).

Institutions formed in Islamic countries have a different approach from international rating institutions, and due to the knowledge of domestic markets and Sharia regulations, which are considered by many investors in Islamic countries, they use a different approach to rate Sukuk. The general ranking framework of these institutions is as follows:

Analysis of the nature of debt securities: These institutions differentiate between two classes of Sukuk. One distinction is the division of Sukuk into two categories; Asset-backed Sukuk and asset-based Sukuk. The characteristics of each have been described in the previous sections.

Analysis of the nature of debt securities: Issuing Sukuk requires the creation of elements that each have a specific responsibility. At least Sukuk issuance needs; Founder (financed), intermediate institution (issuer of bonds), and investors (Sukuk holders). The exact separation of the functions of the members and their credit quality, such as the distance from the bankruptcy of the intermediary institution, has a significant effect on the evaluation of Sukuk. This issue is so important that checking the credit status of the institutions is called "shadow rating" (Mark Institute's rating methodology, 2008). It is necessary to mention that the existence of intermediary institutions and their effect on Sukuk evaluation differentiates the Sukuk evaluation process from partnership bonds.

Asset valuation based on publication: This part is an important stage of Sukuk evaluation, especially "asset-backed" Sukuk. In this stage, the ability of the underlying asset to generate cash flow is examined, the daily value of the underlying asset is precisely determined, and any restrictions on transfer and the transfer of assets are carefully examined. The emphasis on legal ownership transfer of assets based on an intermediary institution is one of the steps emphasized in this section (Naifar and Masadi, 2013 Accounting and Auditing Institute of Islamic Financial Institutions, 2004).

b) University researches

The International Islamic Rating Institute (2015), in describing the dimensions and components affecting the rating of Sukuk, has explained the risks affecting Sukuk and classified and calculated them as follows. 1- Credit risk 2- Liquidity risk 3- Interest rate risk 4- Market risk 5- operational risk, defined by the types of Islamic debt securities and their risks. Masadi and Naifar presented a model for asset-backed securities rating, in which the process of rating these securities in two branches: credit rating and class value rating. It was classified in this category that national rating institutions such as the International Islamic Rating Institute, the requirements of Sharia, and the special structure of asset-backed debt securities compared to conventional bonds are included (Masadi and Naifar, 2013). Ahmed and Aminal, by analyzing the methodology used in



the rating agencies of Malaysia and international rating agencies such as Moody's, stated that the special structure of asset-backed debt securities and the role of various elements in the issuance of these securities leads to the ranking of these papers according to the structure of these pillars and their validation should also be considered, and on the other hand, the role of the underlying asset and its ability to generate cash will play a significant role in determining the Sukuk rating (Ahmed and Aminal, 2015).

Since the main goal of this research is to identify the indicators that are expected to play a role in the evaluation process of Islamic debt securities centered on Sukuk, the Delphi survey was used. This type of survey can be considered as a type of structured brainstorming technique, which is often used in future research and involves asking experts for their opinions by repeatedly repeating a questionnaire. Based on the Delphi method, the approach of dialectical research means thesis (creating an opinion or opinion), antithesis (opinion and opposing opinion), and, finally, synthesis (a new agreement and consensus) has been formed, and the synthesis itself becomes a new thesis.

RESULTS AND DISCUSSION

The final model proposed according to Delphi by experts can be included in two parts: credit rating and value rating. Credit rating has been monitoring the quantitative aspects of Islamic debt bond evaluation, the major part of which is related to bond risk analysis. According to the specific nature of Islamic debt securities and the transfer of the ownership of the asset to the intermediary institution, the value rating has been necessary and mostly monitors the trustworthiness of the founder in keeping the asset. The basis of the issuance and the compliance of the bonds with the requirements of Sharia is presented in figure 3. This model shows the general indicators of Islamic debt bond evaluation. These indicators should be quantitatively calculated and estimated based on the type of evaluated bonds.

Table1

Row	Index title	dissection
1	Risk analysis	The most important component of the credit rating stage is the bond risk analysis, which its indicators are classified into 3 areas: primary market risks, secondary market risks, and asset-related risks. Each of these indices is the property of subgroups, the method of calculation occupies a major part of the bond evaluation process and requires numerous quantitative and qualitative calculations.
2	Analysis of the legal structure of the papers	According to the instructions for issuing debt securities in the capital market, there are different methods for issuing bonds. The choice of each method has a significant effect on its incoming and outgoing cash flows.
3	Validation of elements	These are involved in the release of bonds, which are different depending on the type of bonds of these pillars and at least six pillars; Underwriters, marketers, founders, publishers, sales agents and payment agents are formed.
4	Analysis of emission-based assets	Because the underlying asset sometimes plays a significant role in the issuance of debt securities, checking the liquidity of the underlying asset plays a significant role in the evaluation of debt securities.
5	Analysis of cash flow	The ability to generate cash flows from the operations of the bank and its financial obligations is an important part of the evaluation process.
6	Credit enhancement tools	In cases where the borrower wants to improve the credit rating of her rental Sukuk, she can use credit enhancement methods that have a wide range and can be classified in different ways.
7	Asset management quality	It includes how to use the funds resulting from the issuance of bonds and how to use the asset based on the issuance.
8	Sharia compliance	It includes compliance with the rules of Sharia and compliance with the rules of the jurisprudence committee.

CONCLUSION

With the expansion of financing from the capital market and the variety of debt securities, the issued securities evaluation to guide the investors and the holders of these securities is necessary. On the other hand, due to the variety of financing tools that have been formed in the capital market based on Sukuk it is crucial to evaluate these tools to measure their quality. Based on that, the current research, by examining the content of debt securities published in the capital market with a focus on Sukuk, identifies and calculates the evaluation indicators of these securities. It has been stated that these indicators are the basis for evaluating Islamic debt securities in different formats. It will form a credit and value rating. Based on the comparative studies carried out in the mentioned researches on debt bond evaluation models by prominent credit rating institutions, the recommendations, and guidelines of international and Islamic financial institutions, the review of laws and the requirements raised by the capital market supervisory body, and finally, the scientific and academic researches carried out in this field, indicators were extracted that after seeking the opinion of the experts in the form of the Delphi research was designed and compiled in the form of 6 general categories. Of course, in the international financial custom, the evaluation of debt securities is based on risk analysis. However, according to the environmental features of issuing Islamic debt securities in the country's capital market, in addition to risk analysis, other factors should be considered, based on the opinion of experts in the form of 5 categories, including the analysis of the legal structure of Sukuk, the analysis of the bank's cash flow, The asset analysis of the basis of publication, the analysis of the elements of publication and credit enhancement tools should be presented. The results of this research are aligned with the research done by Masadiand Naifer (2013) and International Islamic Rating Institute (2015) and local rating institutes such as Mark and Rome and Pakra Rating Institute based on the separation of the evaluation model of Islamic debt bonds into two classes; Credit rating and value match. In this research, due to compliance with the requirements and guidelines of the capital market supervisory body based on the conditions of the issuance pillars and paying attention to the liquidity of the underlying asset as well as the use of credit enhancement strategies, the mentioned items were added in the proposed model. Finally, to the capital market researchers, It is suggested to design specialized models for the evaluation of various types of capital market financial instruments by analyzing various types of capital market securities, including debt and equity securities. It can play a significant role in enriching the securities rating process in the country's capital market, considering the announcement of the guidelines for the establishment and operation of rating institutions in the capital market in recent years.

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