

Project-Based Sukuk (PBS) for Educational Infrastructure: Auction Mechanism and Procurement Governance at UIN Sayyid Ali Rahmatullah

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Abstract

This study examines the governance of infrastructure development funded by State Sharia Securities (SBSN) at UIN Sayyid Ali Rahmatullah Tulungagung through Project-Based Sukuk (PBS). Using a qualitative case study approach, data were collected through interviews, field observations, and documentation analysis involving key stakeholders such as PPK, procurement officials, SPI, and project supervisors from the Ministry of Religious Affairs. The results indicate that SBSN financing strengthens transparency, accountability, and sharia compliance through digital procurement (LPSE), multilevel supervision, and asset-based financing using ijarah contracts. Infrastructure financed by PBS has significantly improved educational services, digital facilities, and institutional competitiveness, while also demonstrating social resilience during the COVID-19 pandemic. However, challenges persist in administrative complexity, centralized procurement, and capacity readiness, which may influence efficiency in project implementation. This research highlights that PBS is not only a financing instrument but also an accountability-driven governance model that aligns with Islamic public finance principles to support sustainable development in higher education.

Article Information:

Received Agustus 30, 2025

Revised September 19, 2025

Accepted September 26, 2025

Keywords: SBSN, Project-Based Sukuk, governance, procurement, Islamic public finance

How to cite:

Nur Rofik, E., & Isno, I. (2025). Project-Based Sukuk (PBS) for Educational Infrastructure: Auction Mechanism and Procurement Governance at UIN Sayyid Ali Rahmatullah. *El-Kahfi | Journal of Islamic Economics*, 6(02), 461 - 470. <https://doi.org/10.58958/elkahfi.v6i02.601>

E-ISSN:

2722 – 6557

Published by:

Manna wa Salwa College of Islamic Economics, Tanah Datar, West Sumatra, Indonesia

INTRODUCTION

Infrastructure development is a strategic driver of national economic growth and educational advancement. To meet infrastructure needs without relying on interest-bearing instruments, the government optimizes Islamic financing through State Sharia Securities (SBSN) as an alternative source of long-term funds (Fatah, 2011). Sukuk avoids *riba*, *gharar*, and *maysir* in accordance with Islamic economic principles, ensuring fairness in public financing (Kholid, 2020). Its development is strengthened by fatwas that prohibit interest-based bonds and support sukuk issuance in Indonesia (Abubakar & Handayani, 2017).

SBSN has become an important instrument in national budget financing and public infrastructure projects, including education (Ilmia, 2021). Compared with conventional government securities, sukuk provides more sustainable funding mechanisms, enabling infrastructure development to continue amid APBN constraints (Fatah, 2011). Therefore, SBSN plays a significant role in bridging financing gaps in national strategic projects (Abubakar & Handayani, 2017).

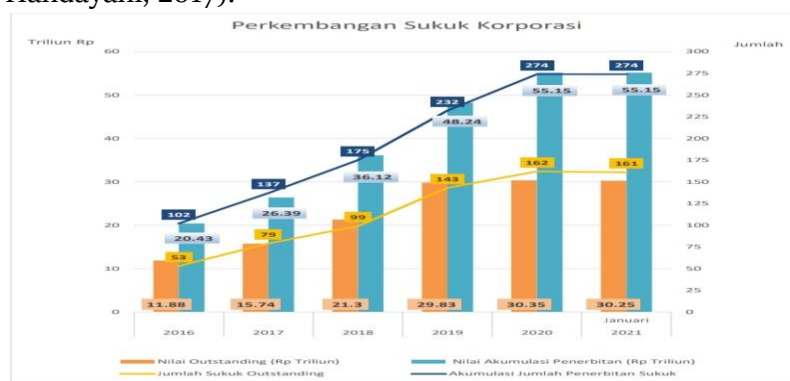


Figure 1. Development of Sukuk in Indonesia

Source: Sukuk Statistics January 2021, Directorate of Sharia Capital Markets - OJK

Despite its rapid growth, many stakeholders still perceive sukuk as identical to conventional bonds due to limited public knowledge (Kholid, 2020). In fact, SBSN represents ownership over underlying assets, while bonds represent pure debt obligations (Abubakar & Handayani, 2017). This misconception shows the importance of strengthening dissemination regarding sukuk characteristics and differences from conventional instruments (Ilmia, 2021).

Sukuk development in Indonesia continues to increase both in terms of budget allocation and distribution across ministries and institutions (Ilmia, 2021). Project-Based Sukuk (PBS) ensures earmarked financing, where funds are allocated only for approved projects in the APBN (Fatah, 2011). This mechanism strengthens accountability and prevents fund misallocation during implementation (Abubakar & Handayani, 2017).

The Ministry of Religious Affairs has used SBSN funds to significantly increase educational infrastructure capacity across PTKIN in Indonesia (Ilmia, 2021). PBS supports the construction of lecture halls, laboratories, and libraries to improve academic competitiveness (Fatah, 2011). This initiative helps accelerate institutional development beyond reliance on limited state expenditure (Abubakar & Handayani, 2017).

UIN Sayyid Ali Rahmatullah Tulungagung is one of the PTKIN institutions successfully utilizing PBS for campus infrastructure development (Ilmia, 2021). The construction of KH Saifuddin Zuhri and KH Arief Mustaqim buildings has supported the needs of academic spaces and university management (Fatah, 2011). The library building

funded by PBS also enhances digital academic services and campus resources (Kholid, 2020).

The implementation of PBS involves feasibility screening, budgeting, and multilayer supervision by Bappenas and the Ministry of Finance (Abubakar & Handayani, 2017). This comprehensive governance system ensures projects are feasible and aligned with national priorities (Ilmia, 2021). Furthermore, approval must consider fairness in budget allocation due to high demand from many institutions (Fatah, 2011).

Procurement governance in PBS follows Presidential Regulation No. 12/2021 regarding procurement of goods and services in Indonesia. The auction process is conducted through the Electronic Procurement Service (LPSE) to ensure efficiency and transparency (Kholid, 2020). This procurement system supports fair competition, reduces fraud risks, and enhances accountability in project execution (Fatah, 2011).

Monitoring and evaluation of PBS projects include physical progress reporting and digital-based financial supervision (Abubakar & Handayani, 2017). Internal control institutions ensure effective implementation and alignment with project planning (Kholid, 2020). Therefore, strong governance remains the key to successful sukuk-based project financing in PTKIN (Ilmia, 2021).

Existing studies mostly explore sukuk as a financial instrument, but research on procurement governance and auction mechanisms in higher education infrastructure remains limited (Fatah, 2011). The lack of analysis linking Islamic public finance and operational implementation in PTKIN reflects a significant research gap (Kholid, 2020). Hence, this study aims to analyze the auction mechanism and governance of PBS infrastructure projects at UIN Sayyid Ali Rahmatullah Tulungagung. The findings are expected to strengthen transparent, efficient, and sustainable Islamic public financing in higher education institutions in Indonesia (Abubakar & Handayani, 2017).

METHODS

This research employed a qualitative approach with a descriptive case study design to explore deeply the procurement and implementation mechanism of SBSN-based infrastructure projects at UIN Sayyid Ali Rahmatullah Tulungagung. The case study approach was chosen because it allows an in-depth understanding of the processes, actors, and governance elements involved in PBS-funded development at the university.

Data were collected through in-depth interviews, field observations, and documentation. Interviews were conducted with key informants involved in SBSN project management, including the Commitment Making Officer (PPK), procurement committee members, the Internal Supervisory Unit (SPI), and project managers from the Ministry of Religious Affairs. A total of six (6) informants were selected using purposive sampling to ensure that each participant had direct involvement and adequate knowledge related to the SBSN procurement process.

Documentation techniques were conducted by reviewing project planning documents, feasibility studies, terms of reference, procurement reports, and regulatory frameworks related to SBSN financing. Meanwhile, field observations were carried out to ensure factual alignment between implementation outcomes and project planning (Miles & Huberman, 2014).

The research instrument consisted of interview guidelines, observation notes, and documentation checklists to ensure structured data acquisition (Creswell, 2014). Data validation was achieved through method triangulation by cross-checking interview

findings with documentation and direct observations to ensure data credibility and dependability (Sugiyono, 2019).

Data analysis was conducted using interactive model analysis which includes three stages: data reduction, data display, and conclusion drawing/verification (Miles & Huberman, 2014). During data reduction, interview transcripts and observation field notes were categorized into themes such as auction mechanism, financial management, role of institutional stakeholders, and project supervision. These categorized data were displayed in a narrative format to facilitate interpretation aligned with procurement governance theories.

The analysis was carried out inductively by building concepts and conclusions from specific findings in the field, linking them with procurement standards and SBSN governance regulations (Creswell, 2014; Sugiyono, 2019). Through this process, this research provides a comprehensive understanding of how SBSN Project-Based Sukuk is implemented and the governance challenges encountered during the procurement of goods and services in higher education.

RESULT AND DISCUSSION


RESULT

Financing Planning and Governance Structure of SBSN Projects

The implementation of PBS financing at UIN Sayyid Ali Rahmatullah Tulungagung begins with a detailed planning and proposal process. The university submits a feasibility study, terms of reference, and budget requirements to the Ministry of Religious Affairs, which later coordinates the approval with Bappenas and the Ministry of Finance. This approval process is essential because SBSN funds are limited while proposal submissions from ministries and institutions are increasing each year. As a result, the approved financing often differs from the amount initially proposed.

The governance structure of SBSN financing involves three ministries: the Ministry of Religious Affairs, Bappenas, and the Ministry of Finance. The Ministry of Religious Affairs manages proposal submission and reporting, Bappenas evaluates project feasibility and readiness, while the Ministry of Finance allocates funding and oversees the issuance of SBSN. A special account at Bank Indonesia is then created to manage disbursement, ensuring that funds are only used for project execution in accordance with regulations.

The financing mechanism uses an Ijarah Asset to Be Leased contract, in which government-owned buildings become the underlying asset. Project implementation begins only after the Ministry of Finance issues the Budget Implementation List (DIPA), which confirms the approved funding allocation and project timeline.



Struktur Akad SBSN

Struktur Akad	SBSN Ijarah Sale and Lease Back	SBSN Ijarah Al Khadamat	SBSN Ijarah Asset to be Leased	SBSN Wakalah
Deskripsi	Sukuk yang diterbitkan dengan menggunakan mekanisme <i>sale and lease back</i> (transaksi jual beli aset dimana pihak pembeli kemudian menyewakan kembali aset yang telah dibelinya kepada pihak penjual)	Sukuk yang diterbitkan berdasarkan prinsip syariah, sebagai bukti kepemilikan atas bagian dari aset SBSN berupa jasa yang menjadi obyek ijarah.	Sukuk yang diterbitkan berdasarkan prinsip syariah, sebagai bukti kepemilikan atas bagian dari aset SBSN yang menjadi obyek ijarah, baik yang sudah ada maupun akan ada.	Sukuk yang diterbitkan berdasarkan prinsip syariah, sebagai bukti kepemilikan atas bagian dari aset dalam kegiatan investasi yg dikelola Perusahaan Penerbit SBSN selaku Wakil dari pemegang SBSN.
Fatwa DSN-MUI Underlying Asset	Nomor 72/2008	Nomor 9/2000	Nomor 76/2010	Nomor 95/2014
Imbalan	BMN Tanah/Bangunan	Jasa Layanan Haji	Proyek & BMN Tanah/Bangunan	BMN Tanah/Bangunan (51%) & Proyek (49%)
Tradability	Uang sewa (ujrah), fixed	Uang sewa (ujrah), fixed	Uang sewa (ujrah), fixed	Uang sewa / Margin / Fee, fixed
Dokumen Hukum Penerbitan	Tradable	Non-Tradable	Tradable	Tradable
Seri	- Akad Bai' - Akad Ijarah - Perjanjian Pengelolaan Aset SBSN - Sale Undertaking - Purchase Undertaking	- Surat Pemesanan - Akad Wakalah - Akad Ijarah - Berita Acara Serah Terima (BAST) Jasa Layanan Haji	- Declaration Of Trust - Purchase Agreement - Procurement agreement - Lease agreement - Servicing agency agreement - Substitution undertaking - Transfer undertaking - Purchase undertaking - Costs undertaking - Agency agreement	- Akad Bai' - Akad Ijarah - Perjanjian Pengelolaan Aset SBSN - Sale Undertaking - Purchase Undertaking
	IFR, SR, SNI	SDHI	PBS, SR	SNI

Figure 1. Structure of State Sharia Securities (SBSN) Agreement” 25 | 464

This study found that the involvement of the Internal Supervisory Unit (SPI) at UIN SAR strengthens the internal control system in planning. SPI reviews budget structures and land status to prevent delays and ensure the project's readiness for SBSN financing. The procurement and project management functions are then handled by the Commitment Making Officer (PPK) who is responsible for contract execution and reporting.

Procurement and Auction Mechanism Through LPSE

The procurement process for SBSN-funded construction at UIN SAR Tulungagung refers to Presidential Regulation No. 12 of 2021, which requires an open tender system using the Electronic Procurement Service (LPSE). This digital platform allows registered providers to participate freely as long as they meet the document and qualification requirements. The system ensures transparency, open competition, and efficient information access.

The tender stages include qualification evaluation, announcement, registration, document retrieval, site visit (if required), bid submission, document evaluation, winner determination, rebuttal period, and final appointment. If a tender fails due to insufficient bidders or disqualification of all participants, the Working Group (Pokja) immediately conducts a re-tender.

Table 1. Infrastructure Financing Stages in the SBSN Project

No	Activity Stage	Person responsible
1	Project Preparation and Proposal	Ministry or Institution
2	Approval of project readiness and feasibility	Ministry of Finance
3	Budget Allocation	Ministry of Finance
4	Implementation: a. Construction or Procurement b. SBSN Issuance c. Payment	a. Ministry or Institution b. Ministry of Finance c. Ministry of Finance
5	Monitoring and Evaluation: a. Physical Progress b. Fund Transfer	a. Ministries or Institutions and Bappenas (National Development Planning Agency) or Ministry of National Development Planning (PPN) b. Ministry of Finance
6	Post-construction management	Ministry or Institution

Contractor categorization determines their eligibility to bid for specific project scales. Category A contractors may bid for large-scale projects such as high-rise buildings, while smaller categories are restricted accordingly. During 2015–2019, UIN SAR self-managed procurement working groups, enabling quicker coordination. However, in 2022, the Ministry of Religious Affairs Central Office took full control of procurement committees, while the university focused solely on land preparation and project reception.

Bid evaluation is based on responsiveness, credibility, price compliance with the self-estimated cost, implementation timing, and team competency. The selected contractors must provide complete documentation and demonstrate financial capacity and technical expertise. This system minimizes risks of fraud and inappropriate contractor selection.

Budget Allocation and Disbursement Management

After obtaining approval, financing is recorded in the Ministry/Institution Work Plan and Budget (RKA-KL) using a designated funding code. Disbursement of funds is controlled

directly by the Ministry of Finance through a Special SBSN Account (Reksus). Project implementers can only access funds after submitting physical progress reports.

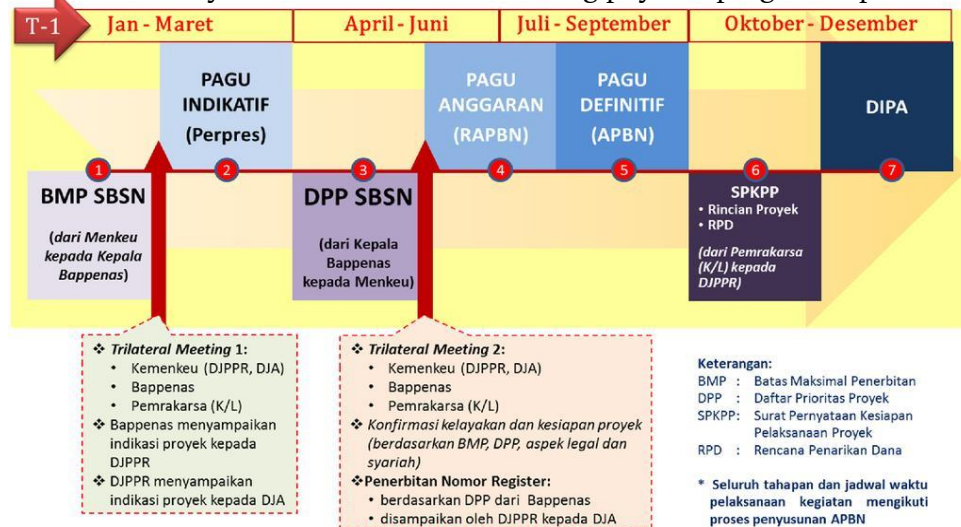


Figure 2. Allocation of SBSN Project Budget

Monthly reporting includes photographs, progress percentage, and verifiable physical documentation. Since 2022, digital reporting through an e-Monev platform has been implemented to accelerate monitoring and ensure real-time evaluation of infrastructure progress. The Ministry of Finance, Bappenas, and the Ministry of Religious Affairs supervise both progress and financial accuracy.

Data from interviews indicate that smooth disbursement is highly dependent on documentation clarity and contractor performance. Any delay in reporting results in delayed payments, affecting project progress efficiency.

Project Outputs and Strategic Contributions

SBSN financing at UIN Sayyid Ali Rahmatullah Tulungagung successfully resulted in the construction of several key facilities:

Table 2. SBSN Project Outputs at UIN SAR Tulungagung

Year	Project Name	Budget	Functions
2015	KH Saifuddin Zuhri Building	Rp 35,496,901,000	7-floor lecture building with 50 classrooms and academic offices
2016	KH Arief Mustaqim Building	Rp 42,371,000,000	Academic spaces and meeting hall with multistory functions
2019	Library Building	Rp 25,000,000,000	Modern digital library supporting academic services

These buildings significantly improve learning facilities, support laboratories and digital services, and contribute to higher student enrollment competitiveness. During the COVID-19 pandemic, several SBSN buildings were even used as public health support centers such as self-isolation facilities, demonstrating social integration benefits beyond academic settings.

Interviews also reveal a positive performance assessment from the Ministry of Finance and Bappenas regarding UIN SAR's accountability and reporting quality, which strengthens the university's credibility for future SBSN funding proposals.

The strict monitoring system in PBS financing creates accountability discipline throughout the project lifecycle (Ahmed, 2023). Reporting obligations are directly connected to financial disbursement (Ilmia, 2021). This mechanism prevents uncontrolled budget usage (Fatah, 2011). It also encourages institutions to improve data management quality (Hasan & Hayat, 2022). Thus, accountability is embedded into SBSN governance itself (World Bank, 2021).

SBSN project outputs at UIN SAR demonstrate that infrastructure improvement contributes to better academic productivity (Asutay & Ozen, 2020). New buildings enable more classrooms and support digital learning (Ahmed, 2023). Better facilities increase student satisfaction and institutional competitiveness (Ilmia, 2021). This supports the performance-based budgeting approach in higher education development. Therefore, SBSN outcomes provide measurable benefits for academic quality (Fatah, 2011).

During the COVID-19 pandemic, SBSN-funded facilities were used as emergency response spaces. This flexibility shows strong alignment with social welfare objectives in Islamic economics (Abubakar & Handayani, 2017). Infrastructure resilience is vital for sustainable development of PTKIN (World Bank, 2021). Public value creation is not only educational but also societal (Ahmed, 2023). Thus, SBSN infrastructure supports broader humanitarian impact (Hasan & Hayat, 2022).

Challenges remain related to administrative complexity and disbursement procedures. Delays in documentation directly impact the progress of construction projects (Miles & Huberman, 2014). This suggests the need for enhanced human resource capacity in project management (Creswell, 2014). Procurement changes that centralize authority may reduce local responsiveness (Scott, 2014). Therefore, policy improvement is still needed (Hasan & Hayat, 2022).

Funding competition also indicates that institutions must maintain high readiness to secure SBSN approvals. Limited budgets create prioritization challenges at the national level (Fatah, 2011). Stronger planning credibility is required to meet feasibility expectations (Ilmia, 2021). Risk mitigation capability also becomes a key determinant in financing success (World Bank, 2021). Thus, capability development is crucial for long-term sustainability (Ahmed, 2023).

This research provides new insights into how Islamic financing instruments operate within university governance systems. Previous studies mainly focused on sukuk as a macro-financial tool (Fatah, 2011). However, this study shows its real operational impact on governance and social services (Ilmia, 2021). Therefore, PBS implementation at UIN SAR reflects an accountability-driven development model. This contributes significantly to the development of Islamic public administration thinking (Abubakar & Handayani, 2017).

CONCLUSION

This study concludes that SBSN financing at UIN Sayyid Ali Rahmatullah Tulungagung has successfully strengthened the governance of infrastructure projects through transparent procurement, asset-based financing mechanisms, and multilayer supervision. The application of the ijarah asset model ensures sharia compliance while promoting accountability and efficiency in state financial management. The construction of academic buildings and a modern library has significantly improved educational facilities and service quality, directly contributing to institutional competitiveness and broader societal benefits, particularly during the COVID-19 pandemic.

However, the implementation still faces challenges such as administrative complexity, dependency on contractor performance, and limited budget availability that demands strong institutional readiness. Therefore, continuous capacity development, improvement of procurement governance, and enhancement of digital monitoring systems are essential to ensure sustainability of SBSN-funded projects. This research emphasizes that PBS in higher education is not merely a financing instrument but a model of accountability-driven development aligned with the objectives of Islamic public finance.

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