Chapter 38
Social Impact Sukuk for Migrants: An Innovative Solution

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ABSTRACT
This chapter examines the economic impact of the migrants’ return to Kerala, India during the Gulf oil crisis 2014-2016. Many migrants returned to their homeland during the crisis because they could not find work in the Middle East. The Kerala economy confronted this as one of the biggest threats which directly affected the economy. Almost USD 900 million had been brought to the homeland as remittance from Non-Residential Keralites (NRKs) working in Gulf countries. But the return of a large number of NRKs decreased the remittances to 10-15%. This chapter proposes Social Impact Sukuk to support the migrants who are back to their homelands from GCC countries. Data and information are collected from primary and secondary sources. This study provides policy implications for Kerala state government to examine the impact of returning NRKs issue and a feasible solution for their immediate rehabilitation.

INTRODUCTION
Oil price crisis in GCC countries resulted in a huge consequences of country’s financial positions. OPEC’s major oil producer claimed 2017 GDP contracted 0.5 percent due to decrease in the production of crude mostly due to lower oil prices. Saudi economy was contracted for the last time in 2009 and with the 2.1 percent fall of GDP after the global financial crisis the oil prices started to come down. Saudi Arabia
posted an unexpected higher budget deficit in 2017 and forecasted another shortage for the next five years continuously primarily because of the decrease in the revenues from oil. The ministry of finance stated that it had projected a deficit of $52 billion for 2018 budget. The Governments started rigor procedures through various sectors such as nationalization in employment sectors. According to the Kerala migration report 2017, around 3 million people were migrated to GCC countries. The crisis significantly affected the Kerala economy by creating poverty and a large number of Keralites returning to Kerala. The return of large number of NRIs to Kerala impacted the stability of economic balance.

Islamic finance is based on social responsibility and prosperity. Qur’an says “Believers! Do not nullify your charitable deed by posing as munificent or by painfully embarrassing others, as do those who expend their wealth just to be seen of men, with no faith in God and the Last Day” (2:264). Islamic finance is not merely for profit maximization under the Shari’ah principles but also to fulfill a socio-economic impact, which the current Islamic finance system has failed to achieve. Therefore, the need of the hour is the Islamic financial system. It has been observed that the focus of Islamic bank is not on profit-maximizing and competing with conventional banks but social responsibility and prosperity. However, for encouraging the growth, the global Sukuk market has proposed a new concept to the world i.e. “Social Impact Sukuk”. One can describe social impact Sukuk as a type of investment process that doesn’t only provide financial results but also gives attention to societal and environmental issues. Furthermore, the objective is to develop social benefit and maintainable environment for the society via the Sukuk investment. This Sukuk program seeks to eliminate social crisis such as homelessness, unemployment, lack a quality education, poverty, and socio-economic security. Through this alteration of Sukuk it will become the best innovative solution for the social problems because the crisis might be very costly and risky for the sovereign to undertake. For example, there are a few social impacts Sukuk such as Khazanah Sukuk, Gavi Sukuk which have currently influenced Sukuk models for social impact Sukuk. Khazanah Sukuk is the first Malaysian social Sukuk to boost the country’s educational project while Gavi Sukuk is focused on the immediate demand for the vaccines.

To identify the potential impact in Keralites and the Kerala economy by the Oil crisis from GCC countries is and how Islamic finance can play its role in providing solution to this crisis is the main objective of the research. According to Kerala religious senses, 26% of Keralites are Muslims and almost the migrants in GCC countries are also Muslims. They return without any capital and opportunity to survive in Kerala. So, Muslim community further confronts the social problems such as unemployment and poverty. Kerala government cannot solve the issue immediately because the oil crisis affected the state at the brink of recession. Large number of returnees impacted the residents also. It is very important to find an innovative social solution to resolve the issue for the migrants. Moving from that, this study proposes the social impact Sukuk as a comprehensive solution considering the majority of Kerala Muslim. This research goes through the impact of oil crisis in GCC countries, its economic impact and the government’s plan to tackle economic imbalance. It not only examines the influence of migrants’ return to Kerala and it’s after effect in financial sector but proposes an innovative solution through SRI Sukuk as its conclusion as it fits with the requirements of the scenario.