

BOOSTING COVID-19 FUND

2ND SUKUK PRIHATIN ON THE CARDS?

Experts believe 'low risk' 2-year issuance will be oversubscribed soon

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THE RM500 million Sukuk Prihatin — Malaysia's maiden digital sukuk — may not be enough to "whet the rakyat's appetite" in helping rebuild the economy, said experts.

They believed that the RM500 million issuance would be oversubscribed soon and that another issuance could be on the cards.

Prime Minister Tan Sri Muhyiddin Yassin yesterday launched the Sukuk Prihatin, which was targeted at the public and Corporate Malaysia wanting to contribute towards the national Covid-19 Fund.

The two-year sukuk comes with a two per cent interest rate annually and can only be subscribed through online banking channels JomPAY and DuitNow.

Putra Business School associate professor Dr Ahmed Razman Abdul Latif said there was a possibility for a "Sukuk Prihatin Part Two".

However, he said it depended on whether additional funds were needed.

On Sukuk Prihatin's low return rate, Ahmed Razman said this was due to it being a stable and secured sukuk.

"Since the sukuk is guaranteed by the government, there will be no losses on the investment. Hence, low risk, low return," he told the *New Straits Times*.

He added that Sukuk Prihatin was more about allowing the people to contribute to the nation than a pure investment product.

He said the funds collected would be used to help students in getting quality education as well as reducing the government's financial burden.

The sukuk proceeds will also be used to provide assistance to mi-



Yang di-Pertuan Agong Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah witnessing the launch of Sukuk Prihatin by Prime Minister Tan Sri Muhyiddin Yassin (left) yesterday. With them is Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz (right). BERNAMA PIC

cro, small and medium enterprises, and fund research into infectious diseases.

World Bank Group representative to Malaysia and country manager Dr Firas Raad said investors would find the two per cent profit rate to be favourable when compared with existing two-year bank deposits in the commercial banking sector.

By comparison, Malayan Banking Bhd and CIMB Group Holdings Bhd both have a 1.85 per cent profit rate for their 24-month fixed deposits.

"Investors would likely switch to Sukuk Prihatin given the slightly higher profit rate."

He said the previous Merdeka Savings Bond series, which targeted citizens aged 56 and above, had seen a higher take-up than comparable fixed deposits at the time.

The higher yield of Sukuk Prihatin should be similarly appealing to investors with cash holdings they do not need to use in the next 24 months, he added.

Firas said the corporate sector might not be as quick to invest as the larger corporates could negotiate with the banks for better rates on their fixed deposits.

"Smaller corporates that normally only invest in fixed de-

posits may be attracted to the slightly higher profit rate and tax-exempt status.

"However, given the current challenging economic situation, only those with excess cash reserves would be likely to invest, while others may skip it in favour of shorter-term fixed deposits to maintain liquidity," he said.

Bank Islam chief economist Dr Mohd Afzanizam Abdul Rashid said the rate of return was decent considering that the country was in a low interest rate environment that was expected to prolong until next year.

"At the same time, the credit risk or risk of default is zero. From an asset allocation point of view, one needs to have high quality liquid assets and Sukuk Prihatin certainly meets the criteria," he said.



Dr Firas Raad