INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES
15, Issue 1, (2025) E-ISSN: 2222-6990

Management Fees on Loans and Debts

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To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v15-i1/24584 DOI:10.6007/IJARBSS/v15-i1/24584

Published Date: 20 January 2025

Abstract
Considering the cost objectives relative to the risks, trade-offs must be made in this regard. For emerging market countries, it is usually cheaper to borrow in low-coupon foreign currencies than in the local currency. On the other hand, borrowing in foreign currencies usually increases the risk in the portfolio like being exposed to an increase in the foreign currency. Although borrowing at the short end of the yield curve is cheaper in most cases than long-term borrowing, the risk will increase because the short-term interest in loans are more volatile and loans need to be refinanced more often. With this in mind, a key component of developing a strategy is to analyze different borrowing scenarios and the trade-offs that need to be made. The government's risk tolerance will ultimately determine trade-offs that will be reflected in the strategy document. Hence, this study came to investigate how management fees are being used on loans and debts through workers and the government's perspective. In order to achieve the study goal, the study adhered to the descriptive method, especially the descriptive-correlative method, which studies the correlational relationship between the variables under the study. The study sample was chosen according to the available sampling method, and the size of the study sample was (500) workers in government's parastatals. In order to collect data from the study sample, a closed questionnaire was designed and prepared. The questionnaire consisted of (82) items. The items were distributed along two axes: The first axis investigates grounds and circumstances for granting loans, while the second axis traces how debts are managed. The validity and reliability of the questionnaire and its suitability for application and for the purpose for which it was designed were confirmed. The data collected from the study sample was downloaded through which the study questions were answered. The study concludes that several reasons are responsible for the government's application of loans. Debts and loans are inescapable routes for many governments to avoid. The study shows that there is a significant relationship and causal link between loans and debts in many governmental parastatals. Lastly and ultimately, the idea of using management fees for loans on one hand, and managing debts on the other hand,

majorly came from government workers, thus influencing government's savings, expenditures and projects.
Keywords: Management Fees, Loans, Debts, Government Parastatals.

Introduction

The economic and social development across the world is negatively affected by the vitality of life and the generalization is true. Economists and citizens expect the government to be an additional player in maintaining and maximizing public funds. As such, governments take an active role in providing mainstreaming to all segments of society. In most countries, the needs of government workers are primarily catered for through adequate funding and financial resources toward achieving its purpose and desired function in promoting the practical and intellectual development of society and increasing the efficiency of government workers, so as to enable them to contribute, participate and work to achieve sustainable development in society (Al-Damakh, Al-Otaibi and Al-Barqi, 2019), since finance is considered the basis of an organization's stability, as funds must be directed accurately to various channels in order to achieve the operational and strategic goals of an organization (Al-Dahmash, 2019).

Debt is simply and commonly defined as financial obligations arising from borrowing and loans accepted under credit agreements of financiers, issuing debt securities to achieve any objectives other than borrowing money (for example: clearing bloated arrears), and assuming debt obligations arising under a government loan guarantee (i.e. in the event of default, the government assumes responsibility for the loan on behalf of the borrower).

However, the definition of "debt" in the statistical system of macroeconomics is broader in scope to include responsibilities that carry within them obligations to make future payments with the possibility of creating conditions that serve not only the government and public sectors, but also the entire economy and are vulnerable to problems of bankruptcy and liquidation. Hence, debt is defined as all financial claims that obligate the debtor to pay interest or principal to the creditor on a specific date or future dates. Based on this broader definition, the General Debt Statistics Manual lists special drawing rights, currencies and deposits, debt securities, loans, insurances, pensions and judgments under standard guarantee schemes and other accounts payable as debt instruments.

Debt management is generally defined as the process of developing and implementing a debt management strategy for the purpose of raising the required amount of financing at the lowest possible cost in the medium and long term in line with a prudent degree of risk. Debt management would also achieve other debt management objectives set by the government such as developing and maintaining an efficient market for bonds, achieving government's borrowing requirements and maintaining a balanced risk level in the debt portfolio. Therefore, the main role of the debt manager is to achieve the desired composition of the administrative debt portfolio, which reflects the administrative preferences regarding trade-offs between costs and risk.

Debt management tools are a medium-term debt management strategy based on the cost-to-risk trade-off of the debt service flow in the actual and expected debt portfolio in various scenarios, annual borrowing plans based on the selected strategy, and borrowing and other debt management operations to meet the objectives of the strategy. A debt management

strategy operationalizes debt management objectives, and is strongly focused on managing the risk exposures included in the debt portfolio – namely potential changes to the cost of debt servicing and their direct impact on the balance sheet.

The scope of a management debt management strategy is usually limited to the debt portfolio of the central budget. Expanding the scope of the strategy to include the debt portfolios of all sectors may create coordination difficulties when enabling various departments to borrow in the markets to meet their own financing needs. Including this borrowing within the scope of the debt management strategy will require each domestic borrowing to be approved by the bursary or ministry of finance as the case may be. In practice, it is not the most efficient way to ensure that all borrowing operations are consistent with the strategy (Saadeh, Jawdat and Al-Hadrami, 2021).

On a clear term, public debt management should not be part of determining fiscal policy. The objectives of fiscal and debt management policies are quite different and use separate tools to achieve them. While the dedicated Debt Management Office is responsible for debt management operations, the Budget Division and Macroeconomic Unit take the lead on fiscal policy strategy and implementation including regular debt sustainability analyses (Public sector debt statistics: a guide for compilers and users, 2013). Therefore, finding the optimal level of debt as a fiscal policy tool is not part of developing a debt management strategy. Instead, a debt sustainability analysis or annual debt sustainability analysis is undertaken in order to continue monitoring the level of debt in relation to its financial risks and expected economic growth.

Study Problem

Loans and debts are of great importance to central, state and local governments. It is the basis of work for all elements in the government. The fact that the government is based on administrative processes that govern their activities necessitates focusing on the process of using management fees on loans and debts.

It is clear from the experience of researchers in the management field that they noticed a mismanagement of management fees on loans and debts. In view of whether or not, or both, misappropriation and mismanagement of funds do occur at government parastatals, the current study aims at determining whether there is a relationship between government revenues, funds, expenditures and projects. As such, this study attempts to answer the following questions:

1. Is there a relationship between the government revenues and national projects?
2. What is the relationship between management generated fees and loans?
3. What is the relationship between management generated fees and debt?
4. How are loans and debts managed globally?

Study Objectives

The study aims to:

1. Identify the relationship between the government revenues and national projects.
2. Identify the relationship between management generated fees and loans.
3. Identify the relationship between management generated fees and debt.
4. Examine how loans and debts are globally managed.

The Importance of the Study
The importance of the study is divided into two parts:

Theoretical importance
The importance of the current study is that it addresses an important topic, which is clarifying the methods and approaches adopted by the government in managing loans and debts. The researcher also aspires to create a valuable practical addition to literary works in the field of debt management, loan management and management fees, specifically, within the limits of the scarcity of previous studies on these fields. The study also adds theoretical information and modern references in the field of debt and loan management that keep pace with modern theoretical knowledge.

Practical importance
The importance of conducting research through the recommendations that have been reached lies in considering them as guidelines for the correct utilization of management fees on debt and loan. It is hoped that this study will help policy makers in government parastatals to understand the mechanism of dealing with debts, loans and management finances. The results of the current study may contribute to assisting decision makers in identifying deficiencies related to management financing as well as managing debts and loans. It is also expected that the results of the current study will contribute to arriving at new research and open horizons for researchers to study it.

The Limits of the Study
The current study is limited to the following limits:
1. Human limitations: The study is limited to those working with the government who are administrative workers.
2. Spatial limitations: The study is limited to government workers.
3. Conceptual limits: The conceptual limits in this study are limited to two basic concepts that constitute its subject matter: management fees and debts and loan management.
4. Procedural limits: limited to the tools used to collect data and the degree of their validity and reliability.

Public Debt Servicing Activities
Public debt servicing activities are any financial operations related to the repayment of principal, payment of interest, commission, commitment fees, service fees, and other fees, which may include late interest payments. Debt services can take the form of cash payments and may take the form of accumulations, rescheduling of repayments of principal, partial and full repayments of principal, forgiveness of debt or exchange of that debt.

Debt servicing or the repayment process requires active participation from multiple parties, namely debt management offices, creditors, the Ministry of Finance (budget and treasury units), and the central bank because the fiscal agent is responsible for the cash reserve policy and monetary policy of the country.

The implementation of integrated financial management information systems allows debt service payment procedures to be automated in the context of public financial management. This modern concept reduces risks, facilitates the issuance of accurate debt service schedules,

prepares payment orders, implements the debt budget, and transfers service funds without delay.

Debt reorganization or restructuring often involves reducing the burden on the debtor of the original terms and conditions of debt obligations. Debt reorganization or restructuring may take the form of debt rescheduling, debt forgiveness and debt conversion. The main objective of debt servicing activities is to pay the correct amounts specified in the general debt agreements at the required time. Since it is necessary to always follow a certain credit rating, sound debt servicing practices are likely to have higher debt repayment of their debts, while lower borrowing costs. An important element of an effective debt servicing process is that the debt database is secure, complete, and up-to-date. This tool is necessary for risk analysis, such as detecting large service payments in the near future, regardless of the original maturity period of the debt instruments. A complete and up-to-date debt database is essential to producing accurate debt service schedules. Diligent debt managers prepare conservative estimates of feasible future borrowing, and include a country's macroeconomic conditions, the country's balance of potential payments, and the government's fiscal position in their forward-looking debt schedules (Masaii, 2015). Hence, integration between debt information systems and other components of public administration (accounting, treasury, and budget) is essential to automate debt service operations.

Types of Debts

Debt can be classified as internal or external, and the classification methodology may vary, among other factors, depending on the risks that are considered balance of payments crises. In countries that have historically had better exposure to debt-related risks, the criterion is linked to the currency devaluation, meaning that debt denominated in the local currency will be classified as domestic and debt denominated in other currencies will be classified as external (Silva, Oliveira de Carvalho and Ladeira de Medeiros, 2010). This is also a common classification used by debt managers to assess the foreign currency risks in a debt portfolio.
Another possibility is to consider residency criteria when classifying debts, i.e., debts held by residents are classified as domestic and debts held by non-residents are external. This classification is more useful and important for countries that enjoy free capital flows, as it assumes that non-resident investors deal in a way that is very different from resident investors. As a result, securities denominated in local currencies held by non-residents will be considered external debt, while securities denominated in foreign currencies held by residents will be considered domestic debt (IMF, 2014).

In the case of public debt, one party is always the government or institution acting on behalf of the government, and the other party may be an individual, a legal entity, a bank or a government. Depending on the type of creditors, debts can be classified as debts from official creditors and debts from private creditors. Official creditors are governments or financial institutions owned or controlled by the government or international entities as opposed to private creditors. Official creditors include bilateral or multilateral organizations that provide loans. Bilateral creditors are individual governments or government agencies that provide loans to other governments, for example, when the French government makes a loan to the government of Bangladesh. Multilateral creditors are international organizations (such as the World Bank) with countries as member states that provide loans to member countries. In addition to official creditors, there are private creditors. Private sector creditors include

private banks that lend money to governments and private buyers that buy government bonds.

Borrowing Tools

Borrowing instruments represent legal agreements concluded between one or more creditors who provide funds, and a debtor who receives, uses, or lends the funds. There is a specific type of agreement for each borrowing instrument. The agreements specify the conditions for issuing and repaying funds, and often stipulate specific conditions for their use.

The two main categories of borrowing instruments are loans and debt securities. Sovereign loans are general credit operations based on a contract that guarantees the fulfillment of the terms agreed upon between the two parties. The parties participating in these operations are considered the lender of money and the borrower. The parties to the loan contract may be individuals, legal entities, banks or governments.

Depending on the nature of the parties involved, there are different types of loans: bilateral, multilateral and private. Bilateral loans are those through which a government lends money to another country, for example for the purpose of financing public services or infrastructure to help Its growth and development. In this case, the borrower is the country that receives the money for a specific purpose and is considered obligated to repay the original lender in addition to interest within the agreed upon period.

When a multilateral entity (such as the World Bank Group, the Latin American Development Bank, the Inter-American Development Bank, the Asian Development Bank, or the African Development Bank) grants a loan to the government of a member country, it is considered a multilateral loan, and even if the lender is a private company or private financing institution, it is a private loan.

Different types of loans		
Item	**Type of Credit**	**Loan**
1.	Bilateral	Other government
2.	Multilateral	Multilateral parties
3.	Special	A private company or a private financial institution

Public sector debt can also be raised using debt securities with different maturities. Bonds and securities are debt instruments with an original maturity of more than one year. They are usually traded (or tradable) on one or another regulated markets. These bonds provide the holder with regular financial market income ("coupon") and return of the principal amount upon redemption. They can be issued in different forms, with the traditional form being the most common which gives the holder the right to obtain a fixed nominal coupon linked to an index, where the coupon payments are linked to an official indicator, for example: the inflation index or the GDP index.

In addition, governments also issue short-term debt instruments (often called money market instruments) with maturities of less than one year. Money market instruments are debt securities that give the owner the unconditional right to receive a specified, fixed amount of

money on a specified date. These instruments are usually traded at a discount in regulated markets, and the discount depends on the interest rate and the time remaining until maturity. These instruments are listed as treasury bonds, commercial and financing promissory notes (commercial and financing papers), commercial papers acceptable to bankers, and negotiable certificates of deposit (with original maturities), a maturity of one year or less and short-term notes issued under bond issuance facilities. Other governments issue green bonds and have retail markets.

Since loan agreements are legally binding contracts, it is important to know the rights and duties involved in a comprehensive manner, in order to understand the nature of those obligations under the law on the payment of agreed interest and the rights and obligations of the borrower. The borrower - as a party to the contract and being obliged to repay the borrowed money - has the right to obtain a copy of the contract, and to obtain the amount corresponding to the loan as agreed in the contract, in addition to obtaining settlement documents, such as a request for payment from creditors and justifications for payment as specified. The agreement is delivered when it is signed by a government official who has authorization for this purpose.

In order to receive the loan, the borrower is required to comply with the requirements of the lender or financing party concerned, in addition to fulfilling its obligations to prepare a report on its financial position; use the funds for their intended purpose; comply with fees and payments; pay any fees incurred upon receipt of the loan; adhere to any agreement concluded with the lender, when necessary; and inform the lender of any change in its economic, political or social circumstances before or during the loan term that may affect compliance with any of the terms and conditions of the loan agreement.

In turn, lenders also have rights and obligations in this relationship with shared responsibility for rational sovereign borrowing. Lenders have the right to recover the original loan plus the agreed upon interest within the agreed upon time frame. They can also research the credit history of the borrowing country, among other things (Al-Shanifi, 2018).

Main Participants in Public Debt Management

The state/people/citizens now and in the future: Borrowing operations carried out by governments should not only be directed towards achieving a direct benefit for current citizens, but rather they should benefit future generations, especially since public debt is characterized by the nature of sharing between generations because they will assume responsibility for servicing the debt in the future. This imposes significant fiduciary responsibilities on management to act with caution and loyalty.

The legislative authority (Parliament/or Congress) in the central government: The power to borrow and the fiscal powers to tax and spend should ideally be restricted to the same government body. The legislative authority is the direct representative of the people and holds both powers in most countries. The legislative authority is responsible for setting the sound legal framework which provides clear paths to authority and ensures transparency. Laws must give the executive sufficient flexibility to manage debt effectively, as well as setting clear benchmarks for performance and requiring timely oversight reports that lawmakers can use to prepare budgets and evaluate debt management processes.

Executive Authority: The executive branch may include the Ministry of Finance, the dedicated debt management office, the Treasurer and Controller, ministries or departments concerned with budget, planning operations and economic affairs, resource mobilization units and program implementation units.

In order to provide greater flexibility and effectiveness in the management of public debt, the legislative authority often delegates or assigns the borrowing authority to a ministry or a main body within the executive authority, such as the Ministry of Finance. Organizational arrangements for public debt management generally require the participation of officials in debt management units within the Ministry of Finance who perform front- and middle-office and support functions. Central banks may also be involved if they act as financial agents affiliated with the Ministry of Finance, making payments and receiving funds in local and foreign currencies. In many countries it may also be necessary to include the following officials and units such as the treasurer who is responsible for cash management; the auditor who is responsible for accounting for the public debt; officials in the ministries of budget, planning and economics who are responsible for integrating debt data into budget and macroeconomic plans; resource mobilization units that play a leading role in seeking specific funds for their investment projects; and multilateral program implementation units that are responsible for deploying borrowed funds.

Institutions Granting Loans (Internal and External, Bilateral And Multilateral)

Sources of financing determine debt management activities, and most developed countries with access to developed financial markets rely on the issuance of government bonds as a major source of financing. Certain primary dealers undertake commitments to actively participate in government auctions in exchange for privileged access to government debt securities. Active secondary markets in government bonds provide useful information to debt managers and Supreme Audit Institutions (SAIs) that can be used to manage the risks inherent in public debt.

In contrast, low-income countries that do not have access to financial markets mostly rely on long-term soft loans obtained from several bilateral and multilateral institutions that impose specific conditions. There is no active secondary market for soft loans and cross-agency coordination activities may be a challenge. It ultimately turns out that there is also a group of mostly middle-income countries that have the capacity to issue bonds and obtain loans. The challenges of debt management and oversight in each group will be different (Al-Shanfari, 2018).

The Role of the Debt Management Office

The Debt Management Office represents the designated government entity whose primary responsibility is implementing the debt management strategy through borrowing operations, derivative bonds, and other debt-related transactions. Furthermore, the office is responsible for conducting analyzes and advising decision makers on potential public debt strategies and cost-risk trade-offs associated with alternative methodologies.

Other functions within the Debt Management Office are cash balance management, collateral management and derivative lending. Core support functions (e.g. cash flow forecasting, legal advice, human resources management, information technology, and internal audit) are

sometimes integrated parts of the DMO, while in other cases—particularly when the DMO is located within the Ministry of Finance.

The sovereign debt management functions of the Debt Management Office have full authority such as participating in all borrowing and credit arrangements and other debt management activities at the internal or external level; preparing and presenting a medium-term debt management strategy with annual updates on a periodic basis approved by the Council of Ministers; preparing annual borrowing plans based on the strategy, including auction schedules, taking into account government borrowing requirements and cash flow projections; maintaining constant contact with the government bond investor base and other market participants, including to communicate the financing needs and borrowing plans of the central government; maintaining relationships with credit rating agencies; taking responsibility for the official debt recording system and ensure that debt data is always accurate, timely and complete; sending withdrawal requests to creditors and track all expenses; verifying that expenditures are being committed in accordance with the original expenditure plan and raising this issue with the designated project management unit if this is not the case; ensuring that all interest payments and payments under "financial" derivative contracts are paid and that repayments are completed on the scheduled dates; regularly preparing a debt statistical bulletin (or equivalent) providing information on the central government debt portfolio (by creditor, residence classification, instrument, currency, interest rate base and remaining maturity), debt flows (principal plus interest payments), debt ratio, indicators and key risk measures for the debt portfolio; preparing an annual report to parliament on details of government debt management activities, evaluate results against established debt management objectives, select a debt management strategy and its rationale, and align debt management activities with this strategy; preparing debt service forecasts based on current and projected debt as part of annual budget preparation and include sensitivity analysis on how these forecasts may change due to fluctuations in currency and interest rates; providing feedback during budget preparation on the size of the planned budget deficit (if any), whether it can be financed by borrowing in the domestic market and/or in foreign markets without excessive cost, and how much the domestic debt market can absorb it without causing any harm to the private sector; keeping the central bank informed about planned loans and committed borrowing operations as well as debt management activities; storing all original loan contracts and debt management records in a safe place; and contributing to reducing the amount of operational risks in debt management activities.

Lenders' Responsibilities

Lenders must recognize that government officials involved in sovereign lending and borrowing operations are responsible to the state and its citizens for protecting the public interest. Lenders are responsible for providing information to their sovereign clients to assist borrowers in making informed credit decisions. Lenders are responsible for determining, to the best of their ability, whether financing is appropriately authorized and whether the resulting credit agreements are valid and enforceable under the relevant jurisdictions. The lender is responsible for conducting a realistic assessment of the ability of sovereign borrowers to meet debt services, based on the best available information, desired objectives and technical rules agreed upon in due diligence and local accounts.

Lenders financing a project in the debtor country are responsible for conducting their own preliminary investigations into the potential impacts of the project, including its financial, operational, civil, social, cultural and environmental impacts. Where possible, they are also responsible for monitoring post-disbursement impacts. This responsibility must also be proportionate to the technical expertise of the lender and the amount of money to be loaned. All lenders must comply with UN sanctions imposed on the ruling regime. In circumstances where a sovereign is clearly unable to service its debt, all lenders must act in good faith and in a cooperative spirit to reach a consensual rearrangement of those obligations. Thus, creditors should look for a quick and orderly solution to the problem.

Responsibility of Borrowers

Borrowers should also consider the responsibility of their lender agents to their institutions. The debt contract is considered a binding contract and its contents must be fulfilled. However, exceptional cases can arise, whereby a country may, based on economic necessity, prevent the borrower from making full and/or timely repayment. A competent judicial authority may also rule that new circumstances have led to the existence of a legal defense when changes to the original contractual terms of the loan become inevitable due to certain situations.

The borrower must disclose the relevant terms and conditions of the financing agreement, and these terms and conditions must be available globally, without any costs, and accessible in a timely manner via the Internet to all relevant parties, including citizens. Debtors bear the responsibility of disclosing complete and accurate information about their economic and financial situation, in a manner consistent with the requirements for preparing standardized reports relevant to the status of their debts.

Debtors must develop and implement a debt sustainability strategy, as well as a management strategy and ensure the soundness of their debt management. Debtor also has a responsibility to establish effective monitoring systems, including at the subnational level, that also monitor contingent liabilities. If restructuring of debt obligations becomes inevitable, it must be undertaken quickly, equitably and efficiently.

Debt Management Goals and Objectives

The legal definition of goals and objectives of public debt helps formulate a public debt management strategy. SAIs should examine whether a country's legal framework contains logically consistent and mutually supportive goals and objectives of public debt. SAIs must also assess whether objectives are clear, stable and strong enough to serve as an anchor for debt management strategies.

It is important to carefully consider the formulation of debt management objectives, as they serve as an anchor for developing a debt management strategy and a benchmark for the evaluation process. To serve these goals, goals must be clear, long-term, and have specific strength. In addition, it must be actionable, directly linked to debt management activities, and specific.

It is a general statement that debt management activities should promote economic growth. Debt must be maintained at a sustainable level and driven more by loose fiscal policy and contingent liabilities than that of the structure of the debt. SAI has the right to use the goals

and objectives of debt management as criteria in monitoring the performance of public debt management. In particular, SAIs can assess whether the objectives have been translated into a debt management strategy that specifies how the objectives will be achieved. Discussion of how to achieve objectives that follow specific strategies should be important elements of public debt reports.

Debt Management Strategy

The debt management strategy must cover all existing central government debt and expected borrowing, including from the central bank and over a period of at least three years (and must therefore be updated annually). In particular, the debt management strategy identifies how cost and risk characteristics vary with changes in the composition of the debt portfolio. The content of the strategy and risk indicators will vary from one country to another, depending on the stage of economic development, sources of financing, the breadth and depth of the domestic debt market, and the transactions used to manage central government debt.

It is preferable that the debt management strategy document includes a description of the market risks being managed (currency, interest rate, refinancing or rollover risks) and the historical context of the debt portfolio; a description of the future debt management environment, including financial and debt projections, assumptions about interest and exchange rates, and constraints on portfolio selection, including constraints related to market development and monetary policy implementation; describe the analysis performed to support the recommended debt management strategy, explaining the assumptions used and limitations of the analysis; the recommended strategy and its justification.

SAIs should examine whether debt management strategy requirements are increasingly being adopted into debt management legislation. This will include a requirement to publish a debt management strategy. A debt management strategy is usually endorsed by the executive (either by the Minister of Finance or the Council of Ministers) as an official document. It provides the medium-term strategic path to achieving senior management's objectives, including ensuring its consistency with macroeconomic policies.

A debt statistical bulletin (or equivalent) covering central government domestic debt, external debt, loan guarantees and debt-related operations is essential to ensure the transparency of the outstanding debt and loan guarantee portfolio, which is vital for investors in central government debt securities. This bulletin may be either in the form of periodic publications issued by the information office of the Central Bank or the Ministry of Finance, or in the form of statistical tables issued by the Statistics Office. This bulletin must be published at least annually (preferably quarterly or semi-annually) and provide information on central government debt stocks (by creditor classification, residence classification, instrument, currencies, interest rate basis, and remaining maturity period), and debt flows (principal and repayments), interest payments), leverage ratios and indicators, and basic risk measures related to the debt portfolio.

SAIs should examine whether there are clear and explicit legal reporting requirements to hold public debt managers accountable to senior debt officers, ministers and boards (if any) charged with governance, and the legislature. SAIs should also check whether there are other

legal reporting requirements such as financial statements, budget reports, and public debt reports, and whether the reports are subject to external oversight.

The debt management strategy is a plan that the government intends to implement in the medium term in order to achieve the desired composition of the government's debt portfolio, which embodies the government's preferences regarding the trade-off between costs and risks. It activates debt management objectives set by state bodies – for example, ensuring that the government's financial needs and payment obligations are met at the lowest possible cost consistent with a considered degree of risk (World Bank and International Monetary Fund, 2009).

Although the strategy is often set for the medium term (3 to 5 years), SAIs should establish the frequency of reviewing the debt strategy to assess whether the assumptions underpinning the strategy remain valid in light of changing circumstances. It is found that the strategy is needed so that such a review would be conducted, preferably annually, as part of the budget process, and if the current one is appropriate, the fundamental reason for its continuation should be clearly stated.

The scope of a medium-term debt management strategy depends on the information available and on existing institutional arrangements in a country. The scope should include, at a minimum, the central government's total direct debt (domestic and external). The precise definition of the scope depends on the extent to which the debt manager controls the risk exposure of particular portfolios.

To guide decisions about borrowing and other debt management processes, the strategy usually includes strategic criteria or metrics. When these metrics are set, all borrowing should take place within these limits, such as the ratio of foreign currency debt to domestic debt; currency composition of foreign currency debt; average minimum debt maturity; the maximum share of debt that can be payable during the one-year or two-year budget; the maximum ratio of short-term debt (up to one year) to long-term debt ratio; maximum variable rate debt to fixed rate debt ratio; and the minimum interest rate determination.

As for countries that have limited access to market-based debt instruments, they rely primarily on financing. If there is no external formal facilitator, these risk-based criteria may not be as relevant. In such cases, the composition of the currency, the interest rate, and the amount of debt that must be refinanced within a specified period are likely to be the most appropriate factors to contain the risks to which a debt portfolio is exposed. It will be sufficient as an interim step to express the strategy as guidelines and clarify the direction in which certain key indicators are expected to develop, for example, the statement that "the amount of debt owed in local currency will be reduced within 12 months".

In some countries, a debt management office has developed or accessed relevant tools to carry out quantitative assessment of the costs and risks of alternative strategies. These tools typically compare the cost of debt to the risk (as defined by the change in cost) over a given time horizon under different scenarios. These tools allow the DMO to simulate the impact of multiple financial options, and track the evolution of key cost and risk indicators for each strategy tested.

Given the lack of any quantitative tools for analyzing alternative strategies, the debt management office should take into account the characteristics of the debt or its composition, which would mitigate the impact of the underlying sources of fluctuation in the budget and consider the potential costs of achieving the debt formation. For example, if a country is exposed to external shocks and the effective exchange rate is volatile or at risk of depreciation, the DMO may want to avoid aggravation by reducing external financing. This would allow the DMO to determine the preferred direction of specific risk indicators, such as increasing the share of debt in local currency, or extending the maturity of the debt.

Debt management strategies cannot be developed in isolation, as expectations on the main macro variables (real, monetary, external and financial) determine the environment in which debt managers operate, which is essential for developing a debt management strategy. In light of the above, it is known that the debt management office coordinates closely with the macroeconomic unit when preparing the strategy.

It is a sound procedure to disseminate the debt management strategy to the public once it is approved. Transparency is essential to help markets clearly understand the objectives of debt management activities, which will make borrowing more cost-effective by lowering the risk premium. In addition, publishing the strategy will help the debt manager strengthen the relationship with creditors, investors and other key stakeholders (such as credit rating agencies) and facilitate an open dialogue about the key factors that influence the selection and implementation of the strategy. This may help secure support for the selected strategy and reduce investor uncertainty.

When adopting a debt management strategy, authorities can make wise choices about how to meet government financing requirements while taking into account potential risks. This systematic approach ensures effective debt management that helps reduce operational risks. If the government chooses a strategy and it turns out to be a very risky or high-cost strategy, this will have a greater impact on the budget results than any poorly priced or poorly timed debt management transaction.

In addition, provided that it is consistent with debt management objectives, the strategy can support efforts to develop the domestic debt market by facilitating a transparent and predictable internal borrowing strategy.

Ruling on Management Fees, Wages, or Administrative Expenses on the Loan
Scholars on the increase on the loan, which is called loan service fees, loan fees, management expenses, or management fees for the loan, have stated the following:
First: These fees must be in exchange for actual services, not fictitious ones.

Second: Any increase over actual services is considered usury, which is forbidden by Sharia. The following was stated in the decisions of the Islamic Fiqh Academy held during its third conference in 1986:

[... Regarding fees for loan services at the Islamic Development Bank: The Council of the Academy decided to adopt the following principles:
1. It is permissible to charge fees for loan services.

2. This must be within the limits of actual expenses.
3. Any increase over actual services is forbidden because it is a usury forbidden by Sharia.
The reason for the permissibility of this increase and considering it as management expenses is that it is considered a fee in exchange for real, actual services such as following up on the loan, engineering supervision of implementation, and so on. It is agreed upon among jurists that the wage must be determined and agreed upon before starting work, not after.

Third: These fees may not be in exchange for repaying the loan, but rather when creating the loan contract, meaning that they are administrative expenses that cover administrative costs such as employees' wages, office affairs, and the like. If the lending entity is supervising implementation, then the wages of engineers or observers are included in this as is the case. This is the case with some institutions that lend for construction and housing. But if it is in exchange for repaying the loan, then it is usury, as is the case in some lending institutions. They collect fees under the name of loan collection fees, which is when the borrower pays an amount of money with every installment he pays as a loan collection fee. This is forbidden usury, even if they call it fees.

Fourth: These fees must be estimated at a lump sum and not estimated at a percentage, especially if these fees are taken for office matters only, because if they are estimated at a percentage, they will differ according to the amount of the loan, because if they were actually fees for services, their amount would not differ according to the size and terms of the loan, since the office services that the services provided to someone who borrows a thousand are the same services that are provided to someone who borrows ten thousand, but it is manipulation and an attempt to change names to deceive people into thinking that there is nothing in it. It must be known that these fees in this form are usury, even if their names are changed, because what matters in contracts are the objectives and meanings, not the words and structures.

It is necessary to pay attention to what is stated in the prohibition of usury from the texts of the Qur'an and Sunnah, and to clarify that it is one of the major sins, and that God has cursed everyone who deals with usury in any way, or helps in it. God Almighty says: {O you who have believed, fear God and abandon what remains of usury, if you are believers. But if you do not, then take notice of war from God and His Messenger. And if you repent, then you shall have your capital. You shall not be wronged, nor shall you be wronged} (Surat Al-Baqarah, 278-279). On the authority of Jabir bin Abdullah, may God be pleased with him, that the Prophet, may God bless him and grant him peace, said: "May God curse the Usury eater, the one who pays it, the one who writes it, and the witnesses, and he said: They are the same". Narrated by Muslim on the authority of Abu Hurairah, may God be pleased with him, that the Prophet, may God's prayers and peace be upon him, said: "Avoid the seven calamities. They said: O Messenger of God, and what are they? He said: Polytheism, witchcraft, killing a soul which God has forbidden except by right, consuming usury, consuming an orphan's wealth, turning away on the day of battle, and slandering chaste and heedless believing women" (Narrated by Al-Bukhari and Muslim). And he, peace and blessings of God be upon him, said: "Usury has seventy-two levels, the least of which is a man having intercourse with his mother" (Narrated by Al-Hakim, and the scholar Al-Albani said it is Sahih). And he, peace and blessings of God be upon him, said: "There are three types of usury, the easiest of which is like a man marrying his mother" (Narrated by Al-Hakim, and the scholar Al-Albani said it is Sahih). And he, peace

and blessings of God be upon him, said: “A dirham of usury that a man consumes knowingly is more severe in the sight of God than thirty-six adulteries” (Narrated by Ahmad and Al-Tabarani, and the scholar Al-Albani said it is Sahih).

Conclusion

The bottom line is that loan service fees must be matched with real, actual services, so that they fall outside the scope of usury, and they must be known and truly estimated. Any increase on the loan other than that is considered usury. In a nutshell, if the institution abandons the good loan approach and moves to the profit-making approach by taking usurious interest, this becomes forbidden usury, and it is forbidden to work with the institution whose work is purely forbidden.

If the contract does not stipulate a fine for late payment of the installments, it is permissible. There is nothing wrong with the bank charging management fees in exchange for preparing the customer’s file, examining its solvency, evaluating the commodity, and inspecting it, if needed. It is permissible to impose non-refundable management fees on individual financing products, provided that their estimation takes into account the approximate costs.

The fees mentioned above, it seems to us - are unreasonable, as the rate of (2%) for each month on the principal of the loan is a very exaggerated rate, and it only appears that it is intended to achieve profits through usury, but under the cover of “management fees”, the excess amounts must be returned to the owners from whom it was taken, or distributed to poor families or associations that care for orphans.

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