ISLAMIC STOCK MARKET RELATIONSHIP BETWEEN DEVELOPED AND DEVELOPING COUNTRIES

NOR AFIQAH BINTI ISDOROS

2013675592

BACHELOR OF BUSINESS ADMINISTRATION (HONS) (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA KAMPUS
BANDARAYA MELAKA

JULY 2015
I, NOR AFIQAH BINTI ISDOROS, 921113-04-5528

Hereby, declare that,

• This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any others degrees.

• This project paper is the result of my independent work and investigations, except where otherwise stated.

• All verbalism extract have been distinguished by quotation and sources of my information have been specifically acknowledge.

Signature: ……………………..

Date: ………………………..
LETTER OF SUBMISSION

2nd July 2015

ENCIK AMIRUDIN BIN MOHD NOR
Lecturer
Bachelor of Business Administration with Honours (Finance)
Faculty of Business Management
University Technology Mara
40450 Melaka

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “ISLAMIC STOCK MARKET RELATIONSHIP BETWEEN DEVELOPED AND DEVELOPING COUNTRIES” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi Mara.

Thank you.

Yours sincerely,

NOR AFIQAH BINTI ISDOROS
2013675592
Bachelor of Business Administration (Hons) (Finance)
# Table of content

ABSTRACT ................................................................................................................. ix

CHAPTER ONE ........................................................................................................... x

1.0 Background of study .......................................................................................... 1
1.1 Problem statement .............................................................................................. 3
1.2 Research Objective ............................................................................................ 5
1.3 Research Question .............................................................................................. 6
1.4 Significant of Study ........................................................................................... 6
1.5 Scope of Study .................................................................................................... 8
1.6 Limitation of Study ............................................................................................ 10
1.7 Definition of term ............................................................................................... 10
1.8 Research Reporting Structure .......................................................................... 12

CHAPTER TWO .......................................................................................................... 13

2.0 Introduction ........................................................................................................ 13
2.1 Financial Crisis Affect Islamic Stock Market ..................................................... 14
2.2 Islamic stock market Malaysia .......................................................................... 16
2.3 Diversification of Islamic stock market ............................................................... 17
2.4 Conclusion .......................................................................................................... 18

CHAPTER THREE .................................................................................................... 20

3.0 Introduction ........................................................................................................ 20
3.1 Sources of data .................................................................................................. 20
  3.1.1 Data Analysis ............................................................................................... 21
3.2 Unit Root Test .................................................................................................... 22
  3.2.1 Augmented Dickey-Fuller Test (ADF) ......................................................... 22
  3.2.2 Philips-Perron Test ..................................................................................... 22
3.3 Descriptive Statistics ......................................................................................... 23
3.4 Preliminary Analysis ......................................................................................... 24
3.5 Static Ordinary Least Square Method ............................................................... 24
  3.5.1 Empirical Model .......................................................................................... 26
3.6 Hypothesis Statement ....................................................................................... 32
3.7 Hypothesis Testing ............................................................................................ 34
  3.7.1 T-test statistic .............................................................................................. 34
3.8 Theoretical Framework ..................................................................................... 35
3.9 Conclusion .......................................................................................................... 36
ABSTRACT

This study aims to assess empirically the relationship of Islamic stock market which is Dow Jones United States Islamic Market Index, Dow Jones Islamic Market Japan Index, Jakarta Stock Exchange Jakarta Islamic Index, Dow Jones Islamic Market Turkey Index to the Dow Jones Islamic Market World Malaysia Index. The countries are categorized into developed and developing countries. The periods of analysis for this research are from 24 April 2008 until 23 April 2015 by using daily closing price of stock indices in USD currency. The relevant data regarding these stock markets have been taken from Dow Jones Islamic Index series. The study used Unit Root Test, Normality Test, Simple Linear Regression and Multiple Linear Regression in order to investigate the relationship among those markets. From the result, it reveals that all these stock indices have a significant positive relationship towards Dow Jones Islamic Market World Malaysia Index.