



**A STUDY ON THE MACROECONOMIC VARIABLES THAT AFFECTS THE PRICE
OF ISLAMIC BOND (SUKUK) IN MALAYSIAN BOND MARKET**

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BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

BANDARAYA MELAKA

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Submitted in Partial Fulfillment of the Requirement for the Bachelor of Business

Administration with Honours (Finance)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITY TECHNOLOGY MARA

BANDARAYA MELAKA

JUNE 2015

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
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FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

I, SITI DIANA ATIRA BINTI ZULKIFLY, (I/C Number: 921115-14-6090)

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 other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extract have been distinguish by quotation marks and sources of my information have been specifically acknowledgement

Signature: _____

Date: _____

LETTER OF TRANSMITTAL

30TH June 2015

The Head of Program
Bachelor of Business Administration (Hons) Finance,
Faculty of Business Management,
Universiti Teknologi MARA,
Kampus Bandaraya Melaka.

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “**A STUDY ON THE MACROECONOMIC VARIABLES THAT AFFECTS THE PRICE OF ISLAMIC BOND (SUKUK) IN MALAYSIAN BOND MARKET**”. This study is conducted in order to fulfil the requirement needed by the Faculty of Business Management, Universiti Teknologi MARA (UiTM).

Thank You.

Yours sincerely,

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SITI DIANA ATIRA BINTI ZULKIFLY
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Bachelor of Business Administration (Hons) Finance

ABSTRACT

The intention to avoid riba has been main contention of the Malaysian people for a very long time. It became a great opportunity for the Malaysian Muslim when a saving scheme was established to help them save enough money for hajj. The tremendous success of this scheme encourages the government to establish the Islamic bank, takaful and Islamic Capital Market. The last decades or so had seen the rapid growth of the Islamic capital market making Malaysia the world's leading issuer of Sukuk.

However, there are problems encounter with the success of the sukuk issuance in Malaysia such as in terms of cost efficiency, risky and higher cost of capital investment due to lower gain on tax deductibility and shortage of good quality bond issues in the market.

Therefore, the objective of this study is to analyze what are the macroeconomic variables that affect the price of Islamic Bond (Sukuk) in Malaysian Bond Market. The macroeconomic variables encountered in the study that affects the price of Islamic Bond are Interest rate, Inflation Rate, Gross Domestic Product and Stock Index.

The researcher has conducted a research by using a secondary data for this study. All the data and information were obtained for the year ended 1990 to 2014 from World Bank data and Datastream. In this study, an Eviews 7 was used to analyze a time series of data obtained.

There are numerous analysis and tests was conducted by using Eviews 7 in order to analyze what are the macroeconomic variables that affects the price of Islamic Bond (Sukuk) in Malaysian Bond Market. Test that was conducted in order to find the result are Unit Root Test, Normality Test, Descriptive Analysis, Preliminary Analysis, Single Linear Regression and Multiple Linear Regression.