



UNIVERSITI TEKNOLOGI MARA

**THE FACTOR THAT AFFECT THE PERFORMANCE OF SUKUK
IN MALAYSIA**

**SYAFAFAH BINTI MOHD FAKIRI
(2020986021)**

Final Year Project submitted in fulfilment of the requirements for degree of
Bachelor of Business Administration (Hons.) Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

Sukuk is Sharia compliant financial instrument referred as “Islamic Bonds” in Malaysia Market. This paper examines determinants of the factor that effect the performance of Sukuk in Malaysia. For this purpose, we use the series of indices TR BPAM ALL BOND INDEX. Those indices cover the whole Sukuk. The data collected by historical data of those indices from the website of Bond Pricing Agency of Malaysia (BPAM) for a period of ten years from 2011 to 2020. The independent variable that affect the dependent variable are Gross Domestic Product (GDP), Inflation Rate, Interest Rate, Exchange Rate, and Money Supply.

Keywords: Sukuk, Gross Domestic Product (GDP), Inflation Rate, Interest Rate, Exchange Rate, and Money Supply

TABLE OF CONTENTS

ABSTRACT	I
TABLE OF CONTENTS	II
CHAPTER ONE	
INTRODUCTION	
1.1 Introduction	1
1.2 Background Of The Study	2
1.3 Problem Statement	4
1.4 Research Questions	5
1.5 Research Objectives	5
1.6 Significance Of The Study	6
1.7 Scope Of The Study	6
1.8 Limitations Of The Study	7
1.9 Summary	7
CHAPTER TWO	
LITERATURE REVIEW	
2.1 Introduction	8
2.2 The Performance of Sukuk In Malaysia	8
2.3 Gross Domestic Product (GDP)	8
2.4 Inflation Rate	9
2.5 Interest Rate	9
2.6 Exchange Rate	10
2.7 Money Supply	10
2.8 Theoretical/ Research Framework	11
2.9 Summary	11
CHAPTER THREE	
RESEARCH METHODOLOGY	
3.1 Introduction	12
3.2 Sampling	12
3.3 Data Collection	12
3.4 Variables	13
3.4.1 Dependent Variable	13
3.4.2 Independent Variable	13
3.5 Research Design	14
3.5.1 Purpose of the study	14
3.5.2 Type of Investigation	14
3.5.3 Unit of Analysis	14
3.5.4 Time Horizon	14
3.6 Hypothesis Statement	15
3.6.1 Gross Domestic Product (GDP)	15
3.6.2 Inflation Rate	15
3.6.3 Interest Rate	15
3.6.4 Exchange Rate	15

3.6.5 Money Supply	15
3.7 Research Methodology	16
3.7.1 Correlation Analysis	16
3.7.2 Regression Analysis	16
3.7.3 Coefficient of Determination (R^2)	17
3.7.4 F Statistic	17
3.8 Summary	18

**CHAPTER FOUR
RESEARCH ANALYSIS**

4.1 Introduction	19
4.2 Descriptive Statistics Analysis	20
4.3 Regression Analysis	22
4.4 Correlation Analysis	25
4.5 Normality Test	30
4.6 Summary	32

**CHAPTER FIVE
CONCLUSION AND RECOMMENDATION**

5.1 Introduction	29
5.2 Conclusion	29
5.3 Recommendation	30
Reference	31

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

In this chapter, the researcher will think again the most main approaches for doing the research. Furthermore, the researcher will define the objective and justification for choosing this issue. Sukuk is that the primary capital instrument used in Islamic countries to support the expansion of the Islamic finance and banking sectors. Sukuk, also referred as Islamic certificates or securities, are now becoming extremely relevant in the Islamic Capital Market (ICM) because they allow investors to share in the profits created more by asset or activities that have been financed. The expansion of Sukuk as a financial instrument has been driven primarily by Muslim countries such as Malaysia and the Gulf Cooperation Council (GCC). In contrast to other financial instruments, Sukuk adheres to Shariah principles, which implies that Sukuk does not contain any elements that are prohibited in Islamic law, like as *riba* (interest), *gharar* (uncertainty), *maysir* (speculation), and *haram*, whereas a conventional bond may be a long-term debt obligation secured by a particular asset and has a charge per unit. Sukuk in Malaysia is popular among investors and also the Malaysian government because the official religion in Malaysia is Islam and the majority of Malaysia Citizen is Muslim. The Sukuk is particularly appealing to international investors since the Sukuk itself contains a free charge per unit, as against to traditional bonds, which have interest rates that fluctuate from time to time, making it a high-risk investment for a few investors.