

UNIVERSITI TEKNOLOGI MARA

**MARKET REACTIONS TO THE
ANNOUNCEMENT OF SUKUK:
EVIDENCE FROM MALAYSIAN
MARKET**

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Dissertation submitted in partial fulfillment
of the requirement for the degree of
Master of Accountancy

Faculty of Accountancy

June 2014

CONFIRMATION BY PANEL EXAMINERS

I certify that a Panel of Examiners has met on 2nd June 2014 to conduct the final examination of Muzrifah Binti Mohamed on his Master of Accountancy thesis entitled “Market Reactions To The Announcement of Sukuk: Evidence From Malaysian Market” in accordance with Universiti Teknologi MARA Act 1976 (Akta 173). The Panel of Examiners recommends that the student be awarded the relevant degree. The panel of examiners was as follows:

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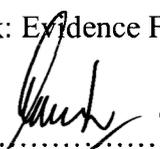
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AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I hereby, acknowledged that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

The lack of considerable effort in understanding the investor's ability to perform strategy from market reactions trend and how the market behaves towards this Islamic debt issuance and stock price adjustment is becoming a growing concern. Hence, this research is aimed to examine whether announcements of *sukuk* issuance carry any new information to give impact on market reactions from period of 2001 until 2013 in Malaysian market. Consideration is given to investigate the impact of this Islamic debt on stock's return surrounding the 2007-2008 financial crisis. It specifically studies market reaction using Malaysian listed firms as a setting. This research is based on data obtained from Bursa, Bloomberg and Datastream. Using standards event study methodology of Brown and Warner (1985), the data was analyzed to determine the issuer's stock return over a certain event windows. The research shows positive sign in Malaysian *sukuk* market that probably reason of investor's awareness to switch to more secure and *Shariah* compliance securities after financial crisis and this provide signal to investor strategies to hold the stock until 61-day in order to earn an abnormal return. The results also revealed that large firms exhibit reversal behaviour with significantly outperformed small firms at 61-day of event window. The significant findings in this study contribute clearer evidence and strategies concerning returns and price adjustment, may encourage more investors to invest in Islamic debt in the future and for would-be investors and issuers. This study provides some recommendations, one of them is future research could be tested on the impact of capital structure beyond Malaysian market and compared between two or more markets perhaps between advanced and emerging economies.

ACKNOWLEDGEMENT

Praise to Almighty Allah for giving me the strength, patience, ability and opportunity to embark on my Master Programme, and for completing this long and challenging journey successfully. I am indebted to a number of individuals who have helped me, either directly or indirectly throughout the process and to whom I would like to thank. I am especially indebted to Assoc. Prof. Dr. Norli Ali and will be forever grateful for having such inspiring supervisor and due to the enormous support and guidance provided to me throughout this process. I am greatly indebted for the number of hours she spent helping me improve the quality of this paper. She has been an incredible supervisor and an endless source of inspiration.

My appreciation goes to the staff of the Bursa Malaysia Knowledge Centre, especially Mr.Ravi and colleague for providing me with the sources, knowledge and assistance. My appreciation is also extended to Mr. Alif and Madam Masyitah from Bank Negara Knowledge Centre and Miss Ain from Rating Agency Malaysia for providing the facilities, guidance and knowledge. Special thanks to my colleagues and the members of the Faculty of Accountancy, Universiti Teknologi MARA for help and support throughout my study. My great and sincere appreciation goes to my siblings, for all their prayers, constant help and support that motivated me to complete this dissertation

Finally, this thesis is dedicated to the loving memory of my very dear late mother and father for the vision and determination to educate me. This piece of victory is dedicated to both of you. Alhamdulillah.